

CONTRACT #2
RFS # 318.65-186

**Department of Finance &
Administration**

Bureau of TennCare

VENDOR:
The MEDSTAT Group, Inc.

RECEIVED

OCT 15 2007

FISCAL REVIEW



STATE OF TENNESSEE
BUREAU OF TENNCARE
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

October 15, 2007

Mr. Jim White, Director
Fiscal Review Committee
8th Floor, Rachel Jackson Bldg.
Nashville, TN 37243

Attention: Ms. Leni Chick

RE: Bureau of TennCare
Contracts Submitted for Fiscal Review

Dear Mr. White:

The Department of Finance and Administration, Bureau of TennCare, is submitting for consideration by the Fiscal Review Committee amendment #2 to The Medstat Group, Inc., RFS 318.65-186. This competitively bid contract was originally awarded to the Department of Finance and Administration, Office of Information Resources, but has since been moved to the Bureau of TennCare for monitoring and oversight. Per language in the Request for Proposal and the original contract, TennCare is exercising the option to extend the term of this competitively awarded contract through November 30, 2009. Due to changes programmatically, there is no longer a need to continue with the entire original scope of services, however, the Fraud and Abuse Detection and Investigation (FADI) services are required and are included in this extension amendment.

Additionally, the three Behavioral Health Organizations (BHOs) listed below are being amended to establish rates that will be in effect for the remainder of Fiscal Year 2008. These amendments reflect an overall maximum liability decrease of \$70 million from the current contract amounts, and align with the projected membership/capitation that will be in force for the contracts.

Mr. Jim White
October 15, 2007
Page 2

Premier Behavioral Health Systems of TN, LLC
Tennessee Behavioral Health, Inc.
Tennessee Behavioral Health, Inc.

FA-01-14662-20
FA-05-16089-10
FA-01-14661-19

The Bureau of TennCare would greatly appreciate the consideration and approval of these amendments by the Fiscal Review Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Pierce", with a long horizontal flourish extending to the right.

Scott Pierce
Chief Financial Officer

cc: Darin J. Gordon, Deputy Commissioner
Alma Chilton, Contract Coordinator

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

RECEIVED

OCT 15 2007

Commissioner of Finance & Administration

Date:

FISCAL REVIEW

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

1) RFS #	318.65-186	
2) State Agency Name :	Department of Finance and Administration Bureau of TennCare	
EXISTING CONTRACT INFORMATION		
3) Service Caption :	TennCare Decision Support (TCDS) Services	
4) Contractor :	Medstat Group, Inc.	
5) Contract #	FA-05-16216-00	
6) Contract Start Date :	December 1, 2004	
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	November 30, 2007	
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$9,584,175.00	
PROPOSED AMENDMENT INFORMATION		
9) <u>Proposed</u> Amendment #	#2	
10) <u>Proposed</u> Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	December 1, 2007	
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	November 30, 2009	
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$12,032,175.00	
13) Approval Criteria : (select one)	<input checked="checked" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
Per language in the Request for Proposal and original contract, TennCare is exercising the option to extend the term of this competitively awarded contract through November 30, 2009. Due to changes programmatically, there is no longer a need for the entire original scope of services to continue, however, the Fraud and Abuse Detection and Investigation (FADI) services are needed and are included in the extension amendment.		

15) Explanation of Need for the Proposed Amendment :

This contract ends November 30, 2007 and the reason for this amendment is to extend the term, provide funding to support this term extension, and modify the language to include only those services that need to continue.

16) Name & Address of Contractor's Current Principal Owner(s) :

(not required if proposed contractor is a state education institution)

Larry Hagerty, Chief Executive Officer
The Medstat Group, Inc.
777 East Eisenhower Parkway
Ann Arbor, MI 48109

17) Documentation of Office for Information Resources Endorsement :

(required only if the subject service involves information technology)

select one:

☒

Documentation Not Applicable to this Request

☐

Documentation Attached to this Request

18) Documentation of Department of Personnel Endorsement :

(required only if the subject service involves training for state employees)

select one:

☒

Documentation Not Applicable to this Request

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Documentation Attached to this Request

19) Documentation of State Architect Endorsement :

(required only if the subject service involves construction or real property related services)

select one:

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Documentation Not Applicable to this Request

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Documentation Attached to this Request

20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :

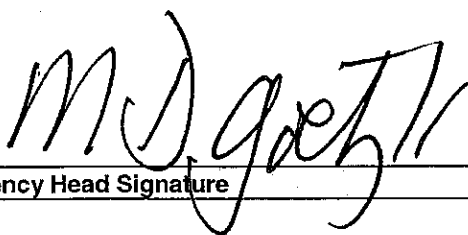
This contract was originally awarded by OIR to Medstat on the basis of a Request for Proposal. Four proposers responded to the procurement document, however, Medstat was the best-evaluated, lowest-cost proposer. This amendment extending the term and deleting specific scopes of service that are not longer required changes the classification from competitive to non-competitive.

21) Justification for the Proposed Non-Competitive Amendment :

As referenced in Item #20 above, the State did originally procure the services through a competitive process. An award was made to Medstat as the best-evaluated, lowest-cost alternative. TennCare believes that it is in the State's best interest to extend the term of this contract to include only the Fraud and Abuse Detection and Investigation requirements and resulting funding to coincide with the current term extension.

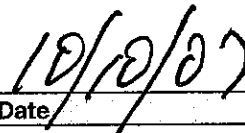
REQUESTING AGENCY HEAD SIGNATURE & DATE :

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR—signature by an authorized signatory will be accepted only in documented exigent circumstances)

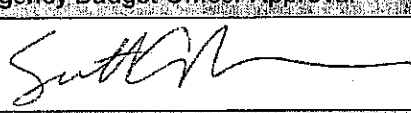


Agency Head Signature

Date



070407

RF#		Contract #	
318 . 65 — 186 — 08		FA-05-16216-02	
State Agency		State Agency Division	
Department of Finance and Administration		Bureau of TennCare	
Contractor Name		Contractor ID # (FEIN or SSN)	
The Medstat Group, Inc.		<input checked="" type="checkbox"/> C- or <input type="checkbox"/> V- 061467923 00	
Service Description			
Provide Decision Support Services for the TennCare Program			
Contract Begin Date		Contract End Date	
12/01/2004		11/30/2009	
SUBRECIPIENT or VENDOR?		CFDA #	
Vendor		93.778 Department of Health & Human Services/Title XIX	
Mark Each TRUE Statement			
<input type="checkbox"/> Contractor is on STARS		<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts	
Allotment Code		Cost Center	
318.65		See Attached	
Object Code		Fund	
083		11	
Funding Grant Code		Funding Subgrant Code	
FY		State	
2005		\$323,360.00	
2006		\$1,071,330.00	
2007		\$862,763.00	
2008		\$670,541.00	
2009		\$612,000.00	
2010		\$255,000.00	
TOTAL		3,794,994.00	
Federal		Interdepartmental	
2005		\$2,507,879.00	
2006		\$2,499,764.00	
2007		\$1,691,997.00	
2008		\$670,541.00	
2009		\$612,000.00	
2010		\$255,000.00	
TOTAL		8,237,181.00	
Other		TOTAL Contract Amount	
		\$2,831,239.00	
		\$3,571,094.00	
		\$2,554,760.00	
		\$1,341,082.00	
		\$1,224,000.00	
		\$510,000.00	
		\$12,032,175.00	
— COMPLETE FOR AMENDMENTS ONLY —			
FY		Base Contract & Prior Amendments	
2005		\$2,831,239.00	
2006		\$3,571,094.00	
2007		\$2,554,760.00	
2008		\$627,082.00	
2009		\$1,224,000.00	
2010		\$510,000.00	
TOTAL		\$9,584,175.00	
THIS Amendment ONLY		State Agency Fiscal Contact & Telephone #	
		Scott Pierce 615-507-6415	
End Date		State Agency Budget Officer Approval	
11/30/2007			
11/30/2009		Funding Certification (certification required by T.C.A. § 9-4-5113 that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)	
Contractor Ownership (complete only for base contracts with contract # prefix: FA or GR)			
<input type="checkbox"/> African American <input type="checkbox"/> Person w/ Disability <input type="checkbox"/> Hispanic <input type="checkbox"/> Small Business			
<input type="checkbox"/> Asian <input type="checkbox"/> Female <input type="checkbox"/> Native American <input type="checkbox"/> NOT Minority/Disadvantaged			
Contractor Selection Method (complete for ALL base contracts— N/A to amendments or delegated authorities)			
<input type="checkbox"/> RFP <input type="checkbox"/> Competitive Negotiation * <input type="checkbox"/> Alternative Competitive Method *			
<input type="checkbox"/> Non-Competitive Negotiation * <input type="checkbox"/> Negotiation w/ Government (ID, GG, GU)			
Procurement Process Summary (complete for selection by Non-Competitive Negotiation, Competitive Negotiation, OR Alternative Method)			

**AMENDMENT #2 TO
FA-05-16216-00
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF FINANCE AND ADMINISTRATION,
BUREAU OF TENNCARE
AND
THE MEDSTAT GROUP, INC.**

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Finance and Administration, Bureau of TennCare, hereinafter referred to as the "State" or "TennCare" and The MEDSTAT Group, Inc., hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. Delete Section A.6. in its entirety and replace with the following:

A.6. Fraud and Abuse Detection and Investigation. The Contract shall provide Fraud and Abuse Detection and Investigation services, as described below:

- a. Core fraud and abuse detection and investigation – products and services to support the Tennessee OIG and TennCare HCI provider fraud efforts. These capabilities include advanced fraud detection algorithms and data investigation tools that the Contractor currently uses to support other state Medicaid fraud detection and federal Medicare fraud detection. Key elements of the core products and services include:
 - i. Full system implementation completed and operations beginning within 6 months of project start.
 - ii. During months 1-6, early opportunity evaluation and data analysis for target areas with substantial recovery or cost containment potential. This includes application of four (4) fraud algorithms to identify lists of suspects and detailed profiles of the top 10 providers/recipients from each algorithm.
 - iii. Effective 12/1/2004 to 11/30/2007, Medstat fraud practice leader expertise and assistance (0.5 FTE) during implementation and ongoing operations. Part of this individual's time will leverage and apply experience and insights from Medstat's other State and Federal fraud detection projects.
 - iv. Ongoing access to Contractor's fraud detection algorithms, including maintenance of existing algorithms, development of additional algorithms, and the initial application of the algorithms by Contractor staff;
 - v. Contractor DataProbe software licenses for up to ten (10) OIG staff users for fraud detection and investigation purposes and four (4) TennCare staff. This includes training and ongoing support of these State users. It also includes ongoing software updates and enhancement of the software as those become generally available;
 - vi. Creation of, and updates to, the DataProbe database with an initial 30 months of TennCare data for early analyses during implementation and

subsequently building to a full 72 months of data by the end of month 12. Database updates will be performed monthly, and

- vii. ASP operation of the DataProbe system.
- b. Two on-site Contractor consultants – to provide additional training, algorithm application, provider and recipient data analysis, and case information development (2.0 FTEs), one to reside at Finance and Administration, Office of Inspector General and one on-site at Bureau of TennCare. Both onsite positions shall be knowledgeable of the system and shall not be entry level positions. At its sole discretion, the State reserves the right to refuse approval of any employee assigned to this contract.
- c. Enhanced claims and encounter data validation and quality assurance - through a process of "upstream" auditing focused on direct work with health plans and other data suppliers. In addition to evaluating the submitted data, this approach will involve extensive review of the "upstream" flow of data and the procedures and software programs that the data suppliers apply to generate the submitted data. Medstat has significant expertise and experience in these optional methodologies for data quality assurance and improvement.
- d. Medstat's Episodes Grouper – (MEG) applied quarterly to the DataProbe system to create episodes of care aggregates used for fraud analyses.
- e. Case management software – for fraud detection and investigation.

The State shall compensate the Contractor for Fraud and Abuse operations as described in Contract Section C.3.c.

- 3. Delete Sections B.1. and B.2 in their entirety and replace with the following:

B.1. Contract Term. This Contract shall be effective for the period commencing on December 1, 2004 and ending on November 30, 2009. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

- 4. Delete Section C.1 in its entirety and replace with the following:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Twelve Million Thirty-two Thousand One Hundred Seventy-Five Dollars (\$12,032,175.00). The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

5. Delete Section C.3.c. in its entirety and replace with the following:

C.3.c. FADI Operations Payment Methodology. The Contractor shall be compensated for ongoing FADI operations based on the Service Rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service defined in Section A.6. The Contractor shall be compensated based upon the following Service Rates:

<u>SERVICE RATE</u>	<u>AMOUNT</u>
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 7 through 24.	\$0.07149 per member
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 25 through 36.	\$0.07149 per member
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 37 through 60.	\$0.085 per member

The Contractor shall derive the monthly invoice amount by multiplying the applicable Monthly Cost Per Member on the TennCare Rolls, from the table above, by the total number of recipients on the TennCare membership rolls as of the fifteenth day of the billing month in question (the "population basis"). Therefore, billing shall always occur after the services have been provided.

The Contractor shall not invoice the State for FADI operations until the Contractor has loaded the initial 30 months of TennCare data, as described in Contract Section A.6.a.vi. The State shall compensate the vendor for FADI Operations as follows: The formula at the end of each month of FADI Operations services shall be: Monthly Operations Invoice Amount = Monthly Cost Per Member on the TennCare Rolls X the population basis [as of the 15th day of the month in question]). The Contractor shall invoice the State on a monthly basis for Operations and the same formula shall be applied at the end of each succeeding month.

The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Documentation submitted with invoices shall include, but not be limited to, the population basis on which the calculation was made and the Cost Per Member figure that was used. Such invoices shall be submitted for completed units of service for the amount stipulated.

7. Add the following language to Section D:

D.20. Prohibition of Illegal Immigrants. The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any Contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.

- a. The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document at Attachment E, hereto, semi-annually during the period of this Contract. Such attestations shall be maintained by the Contractor and made available to state officials upon request.
- b. Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the period of this Contract, the Contractor shall obtain and retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work relative to this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work relative to this Contract. Attestations obtained from such subcontractors shall be maintained by the Contractor and made available to state officials upon request.
- c. The Contractor shall maintain records for all personnel used in the performance of this Contract. Said records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.
- d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this Contract.
- e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not either a United States citizen, a Lawful Permanent Resident, or a person whose physical presence in the United States is authorized or allowed by the federal Department of Homeland Security and who, under federal immigration laws and/or regulations, is authorized to be employed in the U.S. or is otherwise authorized to provide services under the Contract.

8. Delete Section E.2 in its entirety and replace with the following:

- E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The State:

Scott Pierce, Chief Financial Officer
Department of Finance and Administration
Bureau of TennCare
310 Great Circle Road
Nashville, TN 37243
Telephone # (615) 507-6415
FAX # (615) 253-8562
Scott.pierce@state.tn.us

The Contractor:

Glenn R. Cole, Chief Financial Officer
The MEDSTAT Group, Inc.
777 East Eisenhower Parkway
Ann Arbor, MI 48108
glenn.r.cole@medstat.com

(734) 913-3298 Phone
(734) 913-3333 fax

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

9. Add Attachment E, Attestation RE Personnel Used in Contract Performance.

The revisions set forth herein shall be effective December 1, 2007. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF:

The MEDSTAT Group, Inc.:

Glenn R. Cole, Chief Financial Officer

Date

DEPARTMENT OF FINANCE AND ADMINISTRATION, BUREAU OF TENNCARE:

M. D. Goetz, Jr., Commissioner

Date

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. Goetz, Jr., Commissioner

Date

COMPTROLLER OF THE TREASURY:

John G. Morgan, Comptroller of the Treasury

Date

ATTACHMENT E**ATTESTATION RE PERSONNEL USED IN CONTRACT
PERFORMANCE**

SUBJECT CONTRACT NUMBER:	FA-05-16216-00
CONTRACTOR LEGAL ENTITY NAME:	The MEDSTAT Group, Inc.
FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)	061467923

The Contractor, identified above, does hereby attest, certify, warrant, and assure that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract.

CONTRACTOR SIGNATURE <small>NOTICE: This attestation MUST be signed by an individual empowered to contractually bind the Contractor. If said individual is not the chief executive or president, this document shall attach evidence showing the individual's authority to contractually bind the Contractor.</small>
PRINTED NAME AND TITLE OF SIGNATORY
DATE OF ATTESTATION



**GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE**

320 Sixth Avenue, North – 8th Floor
NASHVILLE, TENNESSEE 37243-0057
615-741-2564

Rep. Charles Curtiss, Chairman

Representatives

Harry Brooks
Curt Cobb
Dennis Ferguson
Frank Niceley
Craig Fitzhugh, *ex officio*
Speaker Jimmy Naifeh, *ex officio*

Mary Pruitt
Donna Rowland
David Shepard
Curry Todd

Sen. Don McLeary, Vice-Chairman

Senators

Mae Beavers
Jim Bryson
Steve Cohen
Douglas Henry, *ex officio*
Lt. Governor John S. Wilder, *ex officio*

David Fowler
Steve Southerland

M E M O R A N D U M

TO: The Honorable Dave Goetz, Commissioner
Department of Finance and Administration

FROM: Charles Curtiss, Chairman *cc*
Don McLeary, Vice-Chairman *DM*

DATE: October 17, 2006

SUBJECT: Contract Comments
(Joint Meeting 10/10/06)

RFS# 318.65-186

Department: Finance and Administration

Division: Bureau of TennCare

Contractor: Medstat Group, Inc.

Summary: The vendor is currently responsible for the TennCare Decision Support (TCDS) services for the Bureau. This amendment increases the maximum liability by \$800,000 and extends the Fraud and Abuse Detection and Investigation (FADI) services and corresponding payment rates for the remainder of the original contract which ends November 30, 2007.

Maximum liability: \$8,784,175

Maximum liability with amendment: \$9,584,175

Although the Committee did not take formal action on this amendment due to a lack of a quorum, the members present expressed no concerns about the amendment and the Chairman stated that in his opinion the amendment would have been approved had a quorum been present.

cc: The Honorable Darin Gordon, Deputy Commissioner
Mr. Robert Barlow, Director, Office of Contracts Review

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance & Administration

Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

1) RFS #	318.65-186	
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PROPOSED AMENDMENT INFORMATION		
9) <u>Proposed</u> Amendment #	#1	
10) <u>Proposed</u> Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	December 1, 2006	
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12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$9,584,175.00	
13) Approval Criteria : (select one)	<input checked="checked" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
This amendment extends Fraud and Abuse Detection and Investigation (FADI) services and payment rates for an additional 12 months to coincide with current end date of contract, as well as increases maximum liability to provide funding to support the extended FADI functions. Additionally, the contract was originally awarded and monitored by OIR, however, this amendment changes state contact information from Office of Information Resources (OIR) to the Bureau of TennCare.		

15) Explanation of Need for the Proposed Amendment :

The FADI Operations is a critical component of the TennCare Decision Support Services (TCDS). The original contract provided this function for the first two years of the contract however these services need to be extended to coincide with the actual term of the contract.

16) Name & Address of Contractor's Current Principal Owner(s) :

(not required if proposed contractor is a state education institution)

Larry Hagerty, Chief Executive Officer
The Medstat Group, Inc.
777 East Eisenhower Parkway
Ann Arbor, MI 48109

17) Documentation of Office for Information Resources Endorsement :

(required only if the subject service involves information technology)

select one: ☒ Documentation Not Applicable to this Request

☐ Documentation Attached to this Request

18) Documentation of Department of Personnel Endorsement :

(required only if the subject service involves training for state employees)

select one: ☒ Documentation Not Applicable to this Request

☐ Documentation Attached to this Request

19) Documentation of State Architect Endorsement :

(required only if the subject service involves construction or real property related services)

select one: ☒ Documentation Not Applicable to this Request

☐ Documentation Attached to this Request

20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :

This contract was originally awarded by OIR to Medstat on the basis of an Alternative Competitive Procurement. Four proposers responded to the procurement document, however, Medstat was the best-evaluated, lowest-cost proposer. This amendment extending FADI requirements changes the classification from competitive to non-competitive.

21) Justification for the Proposed Non-Competitive Amendment :

As referenced in Item #20 above, the State did originally procure the services through a competitive process. An award was made to Medstat as the best-evaluated, lowest-cost alternative. TennCare believes that it is in the State's best interest to extend the FADI requirements and resulting funding to coincide with the current term of the original contract.

REQUESTING AGENCY HEAD SIGNATURE & DATE :

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR—signature by an authorized signatory will be accepted only in documented exigent circumstances)

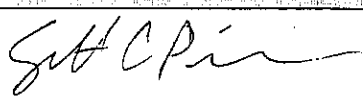

Agency Head Signature


Date

C O N T R A C T S U M M A R Y S H E E T

021406

RFS #				Contract #			
318.65-186				FA-05-16216-01			
State Agency				State Agency Division			
Department of Finance and Administration				Bureau of TennCare			
Contractor Name				Contractor ID # (FEIN or SSN)			
The MEDSTAT Group, Inc.				C- or X V- 061467923 00			
Service Description							
Provide Decision Support Services for the TennCare Program							
Contract Begin Date		Contract End Date		SUBRECIPIENT or VENDOR?		CFDA #	
12/01/2004		11/30/2007		Vendor		93.778 Dept. of Health & Human Services/Title XIX	
Mark Each TRUE Statement							
X Contractor is on STARS				X Contractor's Form W-9 is on file in Accounts			
Allotment Code		Cost Center		Object Code		Fund	
318.65		See Attached		083		11	
Funding Grant Code		Funding Subgrant Code					
FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount		
2005	\$323,360.00	\$2,507,879.00			\$2,831,239.00		
2006	\$1,071,330.00	\$2,499,764.00			\$3,571,094.00		
2007	\$862,763.00	\$1,691,997.00			\$2,554,760.00		
2008	\$254,790.00	\$372,292.00			\$627,082.00		
TOTAL:		\$2,512,243.00	\$7,071,932.00			\$9,584,175.00	

— COMPLETE FOR AMENDMENTS ONLY —			State Agency Fiscal Contact & Telephone #	
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	Scott Pierce 507-6415	
2005	\$2,831,239.00		State Agency Budget Officer Approval 	
2006	\$3,571,094.00			
2007	\$2,088,092.00	\$466,668.00		
2008	\$293,750.00	\$333,332.00		
			Funding Certification (certification required by T.C.A. § 9-4-5113, that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)	
TOTAL:			\$8,784,175.00	\$800,000.00
End Date:			11/30/2007	11/30/2007

Contractor Ownership (complete only for base contracts with contract # prefix: FA or GR)					
<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business	<input type="checkbox"/> NOT minority/disadvantaged	
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> OTHER minority/disadvantaged—		
Contractor Selection Method (complete for ALL base contracts— N/A to amendments or delegated authorities)					
<input type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Competitive Method			
<input type="checkbox"/> Non-Competitive Negotiation	Negotiation w/ Government (e.g., ID, GG, GU)			<input type="checkbox"/> Other	
Procurement Process Summary (complete for selection by Alternative Method, Competitive Negotiation, Non-Competitive Negotiation, OR Other)					

[illegible]

[illegible]

AMENDMENT #1
TO FA-05-16216-00
BETWEEN
THE DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
AND
THE MEDSTAT GROUP, INC.

This Contract, by and between the State of Tennessee, Department of Finance and Administration, Bureau of TennCare, hereinafter referred to as the State, and the Medstat Group, Inc., hereinafter referred to as the Contractor, is hereby amended as follows:

1. Delete C.1 in its entirety and replace with the following:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Nine Million Five Hundred Eighty-Four Thousand One Hundred Seventy-Five Dollars (\$9,584,175.00). The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the contractor during any period of this Contract.

2. Add the following service rates to Section C.3.c.:

<u>SERVICE RATE</u>	<u>AMOUNT</u>
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 25 through 36.	\$0.07149

3. Delete E.2 in its entirety and replace with the following:

E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other

party, facsimile number, or address as may be hereafter specified by written notice.

The State:
Deputy Commissioner
Department of Finance and Administration
Bureau of TennCare
310 Great Circle Road
Nashville, TN 37243
615) 507-6362
(615) 532-5236

The Contractor:

Glenn Cole, Chief Financial Officer
The MEDSTAT Group, Inc.
777 East Eisenhower Parkway
Ann Arbor, MI 48108
(734) 913-3298 Phone
(734) 913-3333 fax

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

The other terms and conditions of this Contract not amended hereby shall remain in full force and effect.

THE MEDSTAT GROUP, INC.

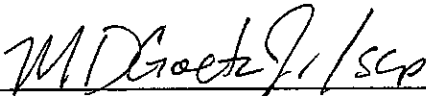


Glenn R. Cole, Chief Financial Officer

10-23-06

DATE

DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE:



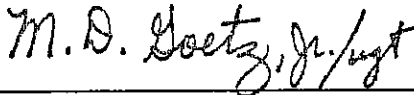
M. D. Goetz, Jr., Commissioner

11-9-06

DATE

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

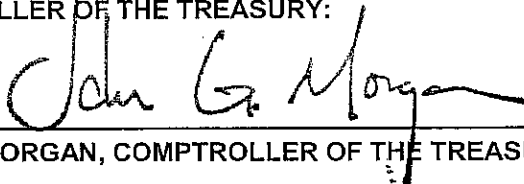


M. D. GOETZ, JR., COMMISSIONER

NOV 16 2006

DATE

COMPTROLLER OF THE TREASURY:



JOHN G. MORGAN, COMPTROLLER OF THE TREASURY

11/17/06

DATE



STATE OF TENNESSEE
BUREAU OF TENNCARE
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

RECEIVED
OCT 02 2006
FISCAL REVIEW

September 29, 2006

Mr. Jim White, Director
Fiscal Review Committee
8th Floor, Rachel Jackson Bldg.
Nashville, TN 37243

Attention: Leni Chick:

RE: Bureau of TennCare Contracts Submitted for Fiscal Review

Dear Mr. White:

The Department of Finance and Administration, Bureau of TennCare, is submitting for consideration by the Fiscal Review Committee amendment #1 to the Medstat Group, Inc., RFS 318.65-186. This competitively bid contract provides Decision Support Services for the TennCare Program. This amendment extends the Fraud and Abuse Detection and Investigation (FADI) services and corresponding payment rates for an additional 12 months to coincide with the current end date of the contract. Additional funding required to support the continuation of FADI for this time period is \$800,000.00.

The Bureau of TennCare would greatly appreciate the consideration and approval of this amendment by the Fiscal Review Committee.

Sincerely,

Scott Pierce
Chief Financial Officer

Cc: Darin J. Gordon, Deputy Commissioner
Alma Chilton

CONTRACT SUMMARY SHEET

RFS Number	318.65-186	Contract Number	FA-05-16216-00
State Agency	Department of Finance and Administration	Division	Bureau of TennCare
Contractor		Contractor Identification Number	
The MEDSTAT Group, Inc.		x	V-
			C-
		06 1467923 00	

Service Description

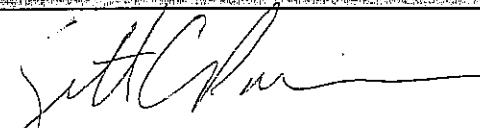
Provide Decision Support Services for the TennCare Program

Contract Begin Date	Contract End Date
12/1/2004	11/30/2007

Allotment Code	Cost Center	Object Code	Fund	Grant	Grant Code	Subgrant Code
318.65	087	134	11	x	on STARS	

FY	State Funds	Federal Funds	Interdepartmental Funds	Other Funding	Total Contract Amount Include ALL amendments
05	\$323,359.75	\$2,507,879.25			\$2,831,239.00
06	\$729,648.50	\$2,841,445.50			\$3,571,094.00
07	\$522,023.00	\$1,566,069.00			\$2,088,092.00
08	\$73,437.50	\$220,312.50			\$293,750.00
					\$0.00
					\$0.00
Total:	\$1,648,468.75	\$7,135,706.25	\$0.00	\$0.00	\$8,784,175.00

CFDA Number	93.778	Check the box (below) ONLY if the answer is YES
-------------	--------	---

State Fiscal Contact		Is the Contractor a SUBRECIPIENT? (per OMB A-133)	
Name	Scott Pierce	Is the Contractor a VENDOR? (per OMB A-133)	x
Address	729 Church Street, Nashville, TN	Is the Fiscal Year Funding STRICTLY LIMITED?	
Phone	615-741-8155	Is the Contractor on STARS?	x
Procuring Agency Budget Officer Signature		Is the Contractor's FORM W-9 ATTACHED?	
		Is the Contractor's Form W-9 Filed with Accounts?	x


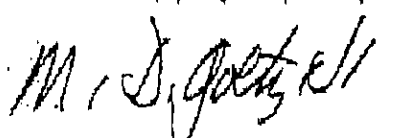

COMPLETE FOR ALL AMENDMENTS (only)

	Base Contract & Prior Amendments	This Amendment ONLY
End Date		
FY		
FY		
FY		
FY		
FY		
FY		
Totals:	\$0.00	\$0.00

Pursuant to T.C.A., Section 9-6-113, I, M. D. Goetz, Jr., Commissioner of Finance and Administration, do hereby certify that there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred.

DEC 22 2004

RECEIVED

518.65-186			
Department of Finance and Administration		Bureau of TennCare	
The MEDSTAT Group, Inc.		X	Y-
		C-	06 1467923 00
Provide Decision Support Services for the TennCare Program			
12/1/2004		11/30/2007	
318.65	87	134	11
		x	on STARS
2005	\$323,390.75	\$2,507,979.25	\$2,831,239.00
2006	\$729,548.50	\$2,841,448.50	\$3,571,084.00
2007	\$822,023.00	\$1,585,089.00	\$2,084,082.00
2008	\$73,437.50	\$220,312.50	\$293,750.00
			\$0.00
			\$0.00
	\$1,848,408.75	\$7,135,708.25	\$0.00
			\$0.00
	\$3,775		\$3,784,175.00
Scott Pierce			
729 Church Street, Nashville, TN			
615-741-8155			
			
<p> <input type="checkbox"/> X <input type="checkbox"/> X <input type="checkbox"/> X <input type="checkbox"/> X </p>			
<p> Pursuant to T.C.A., Section 56-113, I, M. D. Dwyer, Jr., Commissioner of Finance and Administration, do hereby certify that there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred. </p>			
			
			
		\$0.00	\$0.00

**CONTRACT
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF FINANCE AND ADMINISTRATION,
BUREAU OF TENNCARE
AND
THE MEDSTAT GROUP, INC.**

This Contract, by and between the State of Tennessee, Department of Finance and Administration, Bureau of TennCare, hereinafter referred to as the "State" and The MEDSTAT Group, Inc., hereinafter referred to as the "Contractor," is for the provision of TennCare Decision Support Services (TCDS), as further defined in the "SCOPE OF SERVICES."

The Contractor is a For-Profit Corporation. The Contractor's address is:

777 East Eisenhower Parkway
Ann Arbor, Michigan 48108

The Contractor's place of incorporation or organization is Delaware.

A. SCOPE OF SERVICES:

A.1. General Scope of the TCDS project. Contractor will provide the TCDS in accordance with the requirements expressed herein, and in Sections 2, 3, and 4 of the *Request for Vendor Presentations*, dated August 6, 2004 (the "Request"), these sections to be incorporated into this Contract as Attachment A. The Contractor shall also provide the TCDS in accordance with the commitments and obligations described in its "Written Presentation," which shall be incorporated by reference as described in Contract Section E.9.

A.2. Project Phases. The TCDS shall be developed, implemented, and operated in two major phase groupings: (a) Implementation; and (b) Operations.

a. Implementation shall be broken down into the following phases:

- i. Planning Phase - The objective of the planning phase is to set the definition and scope for a TCDS project. It documents the informational objectives of the target audience and what will be accomplished as a result of the project. The planning phase addresses business requirements with a mixture of business needs and source data realities.

The success of the TCDS will be greatly increased by a sound understanding of the business users and their requirements. Therefore, the source system analysis and business requirement analysis undertaken in the Analysis Phase will build on information collected in the Planning Phase and will provide the basis for formulating virtually all other project deliverables.

During the Planning Phase, the State and Contractor will prepare for all other phases by ensuring that the TCDS project plan provides the blueprint to estimate and construct the remainder of the project.

- ii. Analysis Phase - In preparation for the development of the software and services, the detail in the analysis specifications must be expanded to a more elementary and detailed level. Expansion of the analysis will be the focus of the project at the beginning of the Analysis phase.

The following tasks are included in the Analysis phase: maintain the Project Plan; enhance the Detailed Requirements Document; construct and present a customized TCDS Overview; develop a Data Extraction, Transformation, and Load Strategy; develop a Metadata Strategy; and develop an Implementation/Installation Strategy, develop a Training Strategy, which will address the preparation of training materials.

- iii. Design Phase - The objective of the design phase is to ensure that the TCDS objectives are met. The design phase is concerned with designing and installing the extraction, transformation, and load components, completing the physical database design, designing security facilities, developing detailed specifications of how data will be extracted from the system(s) of record, processed and loaded, and specifying the user access details. Additionally, the design phase is concerned with the designing and installing of business intelligence applications and ensures the appropriate user access to data.
- iv. Development Phase - The objective of the development phase is to create the actual programs, processes and procedures that extract data from operational data sources, perform any transformations and validation processes, and load the data and configure any business intelligence applications that will be part of the TCDS.
- v. Test Phase - The objectives of the test phase are to perform testing of the TCDS and to ensure the quality and functionality to the TCDS. This includes developing test cases, scenarios and scripts to ensure the quality of the applications; verification of the usability of the tools and proper execution of all functions.
- vi. Deployment Phase - Deployment is the convergence of the technology, data, and user access facilities on the user's desktop along with the necessary education and support structure.

The objectives of the deployment phase are to rollout user access and to institute ongoing support.

The project also shall include the implementation of Fraud and Abuse Detection and Investigation services, as described in Contract Section A.6.

The State shall compensate the contractor for Implementation in accordance with Contract Section C.3.a.

- b. TCDS Operations: the Contractor shall operate and maintain the TCDS for the contract period and perform the associated Contractor responsibilities as specified by the State. The Contractor shall perform all functions necessary to operate a complete and certifiable decision support system and ensure that data is extracted, transformed, and loaded according to the schedule directed by the State and operated in accordance with Federal and State policy. The State will provide overall project direction in the operation of the TCDS, and will define business requirements, evaluate and approve technical and design specifications, approve Contractor changes to the TCDS documentation for the successful completion of TCDS maintenance and will monitor the Contractor's performance with respect to the requirements of the TCDS Operations services.

The State shall compensate the Contractor for TCDS Operations tasks in accordance with Contract Section C.3.b.

- A.3. End of Contract Transition. At the State request, and at least one hundred and eighty (180) days prior to the expiration or termination of this contract, the Contractor shall prepare a TCDS Transition Plan. This plan shall address all aspects of maintaining the State's capacity to retain, analyze, and generate TCDS information at the production levels existing at the time of the Plan's preparation. At a minimum the Plan must address the following:

- a. Conversion/Transfer of the State's TennCare data from the Contractor's system to the successor system, in the event that the Contractor is not operating the successor system. The Contractor shall cooperate fully in this endeavor, providing all requested access and assistance in converting the State's data.
- b. Conversion/Transfer of any reports, data views, templates, database layouts, etc. developed for the State of Tennessee pursuant to this contract from the Contractor's system to the successor system, in the event that the Contractor is not operating the successor system.
- c. Delivery, in hardcopy and electronic form, of any updates to manuals and system documentation required to bring the documentation up to date.

Upon the State's written acceptance of the plan, the Contractor shall work closely with the State to execute the plan. The Contractor shall cooperate fully in the transition endeavor, providing all requested access and assistance required to insure a seamless transition from the Contractors' system to a successor system.

- A.4. Reporting. State reporting requirements are divided into two functional areas: ad-hoc reports and pre-defined reports. Some possible examples of these reports are as follows:

- a. Sample Ad Hoc Reports
 - i. Time frames for claims, encounters, adjustments, and financial transactions in relation to processing requirements specified in State and Federal regulations
 - ii. Claim filing information based on comparisons of date of service to date of receipt
 - iii. Types and numbers of errors occurring during claims processing (suspended claim analysis) by provider, provider type, and category of service
 - iv. Expenditures by service type showing services provided, by client(s), by case, by units of service, by provider, and by MCC
 - v. Claims throughput analysis
 - vi. Comparisons of actual claim expenditures to projected budgeted amounts and budget variations
 - vii. Comparisons of past, current, and future financial trends by client eligibility category and category of service
 - viii. Current provider payment amounts
 - ix. Average cost per client
 - x. Historical trends of payments and average costs
 - xi. The amount of financial liability against the program, including in-process claims, retroactive TPL recoveries, adjustments, and retroactive capitation due to MCCs
- b. Sample Pre-defined Reports

- i. Enhanced Management and Administrative (MARS) Reporting
- ii. Provider Profile Reporting
- iii. Member Profile Reporting
- iv. Third Party Liability (TPL) Reporting

The above lists are not intended to be complete, and the Contractor may recommend and/or the State may request additional reports beyond those listed above. All charges for additional reports shall be included within the TCDS costs described in Contract Section C.3 below; there shall be no additional costs.

A.5. HIPAA and Confidentiality Agreements. The Contractor, State-approved subcontractors, and their employees may be required to sign HIPAA Business Associate Agreements (if applicable; see Contract Attachment B) and/or State agency confidentiality agreements, in addition to complying with the confidentiality requirements stated herein.

A.6. Fraud and Abuse Detection and Investigation. The Contract shall provide Fraud and Abuse Detection and Investigation services, as described below:

a. Core fraud and abuse detection and investigation – products and services to support the Tennessee OIG and a key element of Governor Bredesen's TennCare reform strategy. These capabilities include advanced fraud detection algorithms and data investigation tools that Medstat currently uses to support other state Medicaid fraud detection and federal Medicare fraud detection. Key elements of the core products and services include:

- i. Full system implementation completed and operations beginning within 6 months of project start.
- ii. During months 1-6, early opportunity evaluation and data analysis for target areas with substantial recovery or cost containment potential. This includes application of four (4) fraud algorithms to identify lists of suspects and detailed profiles of the top 10 providers/recipients from each algorithm.
- iii. Medstat fraud practice leader expertise and assistance (0.5 FTE) during implementation and ongoing operations. Part of this individual's time will leverage and apply experience and insights from Medstat's other State and Federal fraud detection projects.
- iv. Ongoing access to Medstat's fraud detection algorithms, including maintenance of existing algorithms, development of additional algorithms, and the initial application of the algorithms by Medstat staff.
- v. Medstat DataProbe software licenses for up to ten (10) OIG staff users for fraud detection and investigation purposes. This includes training and ongoing support of these State users. It also includes ongoing software updates and enhancement of the software as those become generally available.
- vi. Creation of, and updates to, the DataProbe database with an initial 30 months of TennCare data for early analyses during implementation and subsequently building to a full 72 months of data by the end of month 12. Database updates will be performed monthly.
- vii. ASP operation of the DataProbe system.

b. One on-site Medstat consultant – to provide additional training, algorithm application, provider and recipient data analysis, and case information development (1.0 FTEs).

- i. One month during implementation (month 6).
- ii. Ongoing after implementation.
- c. Enhanced claims and encounter data validation and quality assurance and improvement during implementation only (months 1-6) – through a process of "upstream" auditing focused on direct work with health plans and other data suppliers. In addition to evaluating the submitted data, this approach will involve extensive review of the "upstream" flow of data and the procedures and software programs that the data suppliers apply to generate the submitted data. Medstat has significant expertise and experience in these optional methodologies for data quality assurance and improvement.
- d. Medstat's Episodes Grouper – (MEG) applied quarterly to the DataProbe system to create episodes of care aggregates used for fraud analyses.
- e. Case management software – for fraud detection and investigation.

The State shall compensate the Contractor for Fraud and Abuse operations as described in Contract Section C.3.c.

B. CONTRACT TERM:

- B.1. Contract Term. This Contract shall be effective for the period commencing on December 1, 2004 and ending on November 30, 2007. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.
- B.2. Term Extension. The State reserves the right to extend this Contract for an additional period or periods of time representing increments of no more than one year and a total contract term of no more than five (5) years, provided that the State notifies the Contractor in writing of its intention to do so at least sixty (60) days prior to the contract expiration date. An extension of the term of this Contract will be effected through an amendment to the Contract. If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the State's maximum liability will also be effected through an amendment to the Contract and shall be based upon rates provided for in the original contract.

C. PAYMENT TERMS AND CONDITIONS:

- C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Eight Million, Seven Hundred Eighty-Four Thousand, One Hundred Seventy-Five Dollars (\$8,784,175.00). The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

C.2. Compensation Firm. The Service Rates and the Maximum Liability of the State under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.

C.3. Payment Methodologies.

C.3.a. TCDS Implementation and Fraud and Abuse Detection and Investigation (FADI) Payment Methodology. Upon completion of the work described in Sections A.2.a and A.6 of this Contract, in accordance with the paragraph which follows the Service Unit/Milestone Amount table, below, the Contractor shall submit invoices for the TCDS Implementation and FADI. The aggregate total amounts of these invoices shall be:

<u>SERVICE UNIT/MILESTONE</u>	<u>AMOUNT</u>
TCDS Implementation	\$2,175,000.00
Fraud and Abuse Detection and Investigation (FADI)	\$1,475,500.00

The State will compensate the Contractor for TCDS Implementation and FADI as follows: On April 1, 2005 the State will assess the percentage of TennCare data that is loaded on the vendor's TCDS system, and available for the State's reporting purposes. The vendor may then invoice the State for a portion of the TCDS Implementation and FADI Amounts listed above that correlates with the percentage of data that has been loaded and is available for the State's reporting use as of April 1, 2005. For example, if the percentage of data loaded and available for reporting is 35%, then the vendor may invoice the State for 35% of the TCDS Implementation and FADI Amounts.

The remainder for the FADI for months 1-6 shall be paid after completion of the services specified in Section A.6 of this Contract after submission by Contractor of an invoice in Contract month 7. The Contractor shall not invoice the State for the remainder of FADI implementation until both of the following conditions are met: (1) the Contract has entered Contract month 7; and (2) the Contractor has loaded the initial 30 months of TennCare data, as described in Contract Section A.6.a.vi.

The remainder for the TCDS Implementation shall be paid upon completion of loading of the full six (6) years of TennCare data and the completion of the Deployment Phase, whereupon the Contractor shall submit a request for State approval of the TCDS Implementation. The State shall indicate such approval in writing, at which point the Contractor may submit an invoice for the final TCDS Implementation payment.

The Contractor shall submit invoices, in form and substance acceptable to the State and with all of the necessary supporting documentation, prior to any payment.

C.3.b. TCDS Operations Payment Methodology. The Contractor shall be compensated for ongoing TCDS operations based on the Service Rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service defined in Section A.2.b. The Contractor shall be compensated based upon the following Service Rates:

<u>SERVICE RATE</u>	<u>AMOUNT</u>
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect	\$0.00001

During Year 1

Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Year 2	\$0.115
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Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Year 3	\$0.12
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Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Optional Year 4	\$0.085
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Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Optional Year 5	\$0.085
---	---------

The Contractor shall derive the monthly invoice amount by multiplying the applicable Monthly Cost Per Member on the TennCare Rolls, from the table above, by the total number of recipients on the TennCare membership rolls as of the fifteenth day of the billing month in question (the "population basis"). Therefore, billing shall always occur after the services have been provided. Note that the population basis shall be adjusted to correlate with the percentage of TennCare data loaded on the Contractor's TCDS system, and available for the State's reporting use, as described in the following paragraph.

The first month for which the vendor will bill the State for TCDS Operations shall be no earlier than April 2005. The State shall compensate the vendor for TCDS Operations as follows: On April 30, 2005 the State will assess the percentage of TennCare data that is loaded on the vendor's TCDS system, and is available for the State's reporting purposes. The State will then apply this percentage to the population basis prior to using the population basis to derive the invoice amount. In other words, the formula at the end of each month of Operations services shall be: Monthly Operations Invoice Amount = Monthly Cost Per Member on the TennCare Rolls X (percentage of data loaded and available for reporting use [as of the last day of the month in question] X the population basis [as of the 15th day of the month in question]). The Contractor shall invoice the State on a monthly basis for Operations and the same formula shall be applied at the end of each succeeding month. See the following examples (THESE ARE EXAMPLES ONLY AND BEAR NO RELATION TO ACTUAL OR ANTICIPATED VOLUMES OR COSTS):

For purposes of these examples, assume a TennCare population basis that is stable at 1,000,000 for each month and a Monthly Cost per Member of \$0.10.

If, on April 30, 2005, the Contractor has loaded 35% of the data, and this data is available for the State's reporting use, then the Amount of the Operations invoice for April 2005 would be: $\$0.10 \times (.35 \times 1,000,000) = \$35,000$.

If, on May 31, 2005, the Contractor has loaded an additional %15 of the data, and this data is available for the State's reporting use, then the Amount of the Operations invoice for May 2005 would be: $\$0.10 \times (.50 \times 1,000,000) = \$50,000$.

If, on June 30, 2005, the Contractor has loaded all of the remaining data, and this data is available for the State's reporting use, then the Amount of the Operations invoice for June 2005 would be: $\$0.10 \times (1.00 \times 1,000,000) = \$100,000$.

Assuming the population basis were to remain stable at 1,000,000, then each subsequent month's invoice for Contract Year 1 would be \$100,000. New "Monthly Cost per Member Rates" would take effect in subsequent years.

The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Documentation submitted with invoices shall include, but not be limited to, the population basis on which the calculation was made and the Cost Per Member figure that was used. Such invoices shall be submitted for completed units of service for the amount stipulated.

- C.3.c. FADI Operations Payment Methodology. The Contractor shall be compensated for ongoing FADI operations based on the Service Rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service defined in Section A.6. The Contractor shall be compensated based upon the following Service Rates:

<u>SERVICE RATE</u>	<u>AMOUNT</u>
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 7 through 12.	\$0.07149
Monthly Cost Per Member on the TennCare Rolls; Cost in Effect During Contract Months 13 through 24.	\$0.07149

The Contractor shall derive the monthly invoice amount by multiplying the applicable Monthly Cost Per Member on the TennCare Rolls, from the table above, by the total number of recipients on the TennCare membership rolls as of the fifteenth day of the billing month in question (the "population basis"). Therefore, billing shall always occur after the services have been provided.

The Contractor shall not begin invoicing the State for FADI operations until both of the following conditions are met: (1) the Contract has entered Contract month 8; and (2) the Contractor has loaded the initial 30 months of TennCare data, as described in Contract Section A.6.a.vi. The State shall compensate the vendor for FADI Operations as follows: The formula at the end of each month of FADI Operations services shall be: Monthly Operations Invoice Amount = Monthly Cost Per Member on the TennCare Rolls X the population basis [as of the 15th day of the month in question]). The Contractor shall invoice the State on a monthly basis for Operations and the same formula shall be applied at the end of each succeeding month.

The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Documentation submitted with invoices shall include, but not be limited to, the population basis on which the calculation was made and the Cost Per Member figure that was used. Such invoices shall be submitted for completed units of service for the amount stipulated.

- C.4. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.
- C.5. Payment of Invoice. The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.

- C.6. Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this contract, not to constitute proper remuneration for compensable services.
- C.7. Deductions. The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.
- C.8. Automatic Deposits. The Contractor shall complete and sign an "Authorization Agreement for Automatic Deposit (ACH Credits) Form." This form shall be provided to the Contractor by the State. Once this form has been completed and submitted to the State by the Contractor all payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH). The Contractor shall not invoice the State for services until the Contractor has completed this form and submitted it to the State.
- D. STANDARD TERMS AND CONDITIONS:
- D.1. Required Approvals. The State is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.
- D.2. Modification and Amendment. This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.
- D.3. Termination for Convenience. The State may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the State. The State shall give the Contractor at least thirty (30) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- D.4. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.
- D.5. Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract pertaining to "Conflicts of Interest," "Nondiscrimination," "Confidentiality of Records," and "HIPAA Compliance" [as applicable] (sections D.6, D.7, E.12, and E.13). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.

- D.6. Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.
- D.7. Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.8. Records. The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.
- D.9. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.10. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.
- D.11. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.
- D.12. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.
- The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.
- D.13. State Liability. The State shall have no liability except as specifically provided in this Contract.
- D.14. Force Majeure. The obligations of the parties to this contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care

including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.

- D.15. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.
- D.16. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under ***Tennessee Code Annotated***, Sections 9-8-101 through 9-8-407.
- D.17. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.18. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.
- D.19. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

- E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.
- E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:

Bill Ezell, Chief Information Officer
Department of Finance and Administration
Office for Information Resources
312 8th Avenue North
Suite 1600, Snodgrass Tennessee Tower
Nashville, TN 37243-0288
Ph: 615-741-3700
Fax: 615-532-0471

The Contractor:

Glenn Cole, Chief Financial Officer
The MEDSTAT Group, Inc.

777 East Eisenhower Parkway
Ann Arbor, MI 48108
Telephone: 734-913-3298
Facsimile: 734-913-3333

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

- E.3. Subject to Funds Availability. The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall not be deemed a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Upon such termination, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

- E.4. Breach. A party shall be deemed to have breached the Contract if any of the following occurs:

- failure to perform in accordance with any term or provision of the Contract;
- partial performance of any term or provision of the Contract;
- any act prohibited or restricted by the Contract, or
- violation of any warranty.

For purposes of this contract, these items shall hereinafter be referred to as a "Breach."

- a. Contractor Breach— The State shall notify Contractor in writing of a Breach.

- (i) In event of a Breach by Contractor, the state shall have available the remedy of Actual Damages and any other remedy available at law or equity.
- (ii) Partial Default— In the event of a Breach, the State may declare a Partial Default. In which case, the State shall provide the Contractor written notice of: (1) the date which Contractor shall terminate providing the service associated with the Breach; and (2) the date the State will begin to provide the service associated with the Breach. Notwithstanding the foregoing, the State may revise the time periods contained in the notice written to the Contractor.

In the event the State declares a Partial Default, the State may withhold, together with any other damages associated with the Breach, from the amounts due the Contractor the greater of: (1) amounts which would be paid the Contractor to provide the defaulted service; or (2) the cost to the State of providing the defaulted service, whether said service is provided by the State or a third party. To determine the amount the Contractor is being paid for any particular service, the Department shall be entitled to receive within five (5) days any requested material from Contractor. The

State shall make the final and binding determination of said amount.

Upon Partial Default, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount. Contractor agrees to cooperate fully with the State in the event a Partial Default is taken

(iii) Contract Termination— In the event of a Breach, the State may terminate the Contract immediately or in stages. The Contractor shall be notified of the termination in writing by the State. Said notice shall hereinafter be referred to as Termination Notice. The Termination Notice may specify either that the termination is to be effective immediately, on a date certain in the future, or that the Contractor shall cease operations under this Contract in stages. In the event of a termination, the State may withhold any amounts which may be due Contractor without waiver of any other remedy or damages available to the State at law or at equity. The Contractor shall be liable to the State for any and all damages incurred by the State and any and all expenses incurred by the State which exceed the amount the State would have paid Contractor under this Contract. Contractor agrees to cooperate with the State in the event of a Contract Termination or Partial Takeover.

b. State Breach— In the event of a Breach of contract by the State, the Contractor shall notify the State in writing within 30 days of any Breach of contract by the State. Said notice shall contain a description of the Breach. Failure by the Contractor to provide said written notice shall operate as an absolute waiver by the Contractor of the State's Breach. In no event shall any Breach on the part of the State excuse the Contractor from full performance under this Contract. In the event of Breach by the State, the Contractor may avail itself of any remedy at law in the forum with appropriate jurisdiction; provided, however, failure by the Contractor to give the State written notice and opportunity to cure as described herein operates as a waiver of the State's Breach. Failure by the Contractor to file a claim before the appropriate forum in Tennessee with jurisdiction to hear such claim within one (1) year of the written notice of Breach shall operate as a waiver of said claim in its entirety. It is agreed by the parties this provision establishes a contractual period of limitations for any claim brought by the Contractor.

E.5. Partial Takeover. The State may, at its convenience and without cause, exercise a partial takeover of any service which the Contractor is obligated to perform under this Contract, including but not limited to any service which is the subject of a subcontract between Contractor and a third party, although the Contractor is not in Breach (hereinafter referred to as "Partial Takeover"). Said Partial Takeover shall not be deemed a Breach of Contract by the State. Contractor shall be given at least 30 days prior written notice of said Partial Takeover with said notice to specify the area(s) of service the State will assume and the date of said assumption. Any Partial Takeover by the State shall not alter in any way Contractor's other obligations under this Contract. The State may withhold from amounts due the Contractor the amount the Contractor would have been paid to deliver the service as mutually agreed to by the State and the Contractor. The amounts shall be withheld effective as of the date the State assumes the service. Upon Partial Takeover, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

E.6. Ownership of Materials and Rights to Knowledge Obtained.

- E.6.a. State Ownership of Work Products. The State shall have all ownership right, title, and interest, including ownership of copyright, in all work products, including application source code, created, designed, or developed for the State under this Contract. The State shall have royalty-free, exclusive, and unlimited rights to use, disclose, reproduce, or publish, for any purpose whatsoever, all said work products. The Contractor shall furnish such information and data upon request of the State, in accordance with the Contract and applicable State law.
- E.6.b. Contractor Proprietary Products. The Contractor shall retain ownership right, title, and interest in the portions of the TCDS, including, but not limited to, software and databases, that were not developed using State moneys or resources, and that were complete and the property of the Contractor as of the effective date of the Contract (known as "Contractor Proprietary Products"). Contractor Proprietary Products shall also include ongoing updates and upgrades that are part of the Contractor's normal software development process of its Proprietary Products, and that were not developed using State moneys. The State shall take all reasonable steps to preserve the confidential and proprietary nature of the Contractor Proprietary Products. The State shall make reasonable efforts not to disclose or disseminate Contractor's proprietary information to any third party that is not an agent of the State.
- E.6.c. Acquired Knowledge and Skills. Nothing in this Contract shall prohibit the Contractor's use for its own purposes of the general knowledge, skills, experience, ideas, concepts, know-how, and techniques obtained and used during the course of providing the services requested under this Contract.
- E.6.d. Development of Similar Materials. Nothing in the Contract shall prohibit the Contractor from developing for itself, or for others, materials which are similar to and/or competitive with those that are produced under this Contract.
- E.7. Performance Bond. Upon approval of the Contract by all appropriate State officials in accordance with applicable State laws and regulations, the Contractor shall furnish a performance bond in the amount equal to five percent (5%) of the State's maximum liability as stated in Section C.1 equal to Four Hundred Thirty-Nine Thousand, Two Hundred Nine Dollars (\$439,209), guaranteeing full and faithful performance of all undertakings and obligations under this Contract for the initial Contract term and all extensions thereof. This Performance Bond shall be renewed at the beginning of each Contract year. At each renewal point, the State shall assess the remaining value of the Contract, including any extensions that have been executed, and the Contractor shall renew the Performance Bond based on the remaining amount, using the 5% multiplier stated above. The bond shall be in the manner and form prescribed by the State and must be issued through a company licensed to issue such a bond in the State of Tennessee.
- The Contractor shall obtain the required performance bond in form and substance acceptable to the State and provide it to the State no later than thirty (30) days following the effective date of the Contract, as stated in Section B.1. Failure to provide the performance bond prior to the deadline as required shall result in contract termination.
- In lieu of a performance bond, a surety deposit, in the sum of five percent (5%) of the State's maximum liability as stated in Section C.1 equal to Four Hundred Thirty-Nine Thousand, Two Hundred Nine Dollars (\$439,209), may be substituted if approved by the State prior to its submittal.
- E.8. State Furnished Property. The Contractor shall be responsible for the correct use, maintenance, and protection of all articles of nonexpendable, tangible, personal property furnished by the State for the Contractor's temporary use under this Contract. Upon

termination of this Contract, all property furnished shall be returned to the State in good order and condition as when received, reasonable use and wear thereof excepted. Should the property be destroyed, lost, or stolen, the Contractor shall be responsible to the State for the residual value of the property at the time of loss.

E.9. Incorporation of Additional Documents. Included in this Contract by reference are the following documents:

- a. The Contract document and its attachments
- b. All Clarifications and addenda made to the Contractor's Written Presentation and approved by the State (Addendum 1)
- c. *The Request for Vendor Presentations* and its associated amendments
- d. Technical Specifications provided to the Contractor
- e. The Contractor's written Cost Proposal, signed September 30, 2004
- f. The Contractor's Written Presentation, dated September 1, 2004.

In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these documents shall govern in order of precedence detailed above.

E.10. Lobbying. The Contractor certifies, to the best of its knowledge and belief, that:

No federally appropriated funds have been paid or will be paid, by or on behalf of the Contractor, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, and entering into any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.

If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this contract, grant, loan, or cooperative agreement, the Contractor shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

The Contractor shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including sub-grants, subcontracts, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients of federally appropriated funds shall certify and disclose accordingly.

E.11. Prohibited Advertising. The Contractor shall not refer to this Contract or the Contractor's relationship with the State hereunder in commercial advertising in such a manner as to state or imply that the Contractor or the Contractor's services are endorsed.

E.12. Confidentiality of Records. Strict standards of confidentiality of records and information shall be maintained in accordance with applicable state and federal law. All material and information, regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State shall be regarded as confidential information in accordance with the provisions of applicable state and federal law, state and federal rules and regulations, departmental policy, and ethical standards. Such confidential information shall not be disclosed, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with applicable state and federal law, state and federal rules and regulations, departmental policy, and ethical standards.

The Contractor's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Contractor of this Contract; previously possessed by the Contractor without written obligations to the State to protect it; acquired by the Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information; independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure. Nothing in this paragraph shall permit Contractor to disclose any information that is confidential under federal or state law or regulations, regardless of whether it has been disclosed or made available to the Contractor due to intentional or negligent actions or inactions of agents of the State or third parties.

It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Contract.

E.13. HIPAA Compliance. The State and the Contractor shall comply with obligations under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and its accompanying regulations.

- a. Contractor warrants to the State that it is familiar with the requirements of HIPAA and its accompanying regulations, and will comply with all applicable HIPAA requirements in the course of this contract.
- b. Contractor warrants that it will cooperate with the State, including cooperation and coordination with State privacy officials and other compliance officers required by HIPAA and its regulations, in the course of performance of the Contract so that both parties will be in compliance with HIPAA.
- c. The State and the Contractor will sign documents, including but not limited to business associate agreements, as required by HIPAA and that are reasonably necessary to keep the State and Contractor in compliance with HIPAA. This provision shall not apply if information received by the State under this Contract is NOT "protected health information" as defined by HIPAA, or if HIPAA permits the State to receive such information without entering into a business associate agreement or signing another such document.

E.14. Copyrights and Patents. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims or suits which may be brought against the State for infringement of any laws regarding patents or copyrights which may arise from the Contractor's performance of this Contract. In any such action brought against the State, the Contractor shall satisfy and indemnify the State for the amount of any final judgment for infringement. The Contractor further agrees it shall be liable for the reasonable fees of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State. The State shall give the Contractor written notice of any such claim or suit and full right and opportunity to conduct the Contractor's own defense thereof.

E.15. Date/Time Hold Harmless. As required by *Tennessee Code Annotated*, Section 12-4-118, the contractor shall hold harmless and indemnify the State of Tennessee; its officers and employees; and any agency or political subdivision of the State for any breach of contract caused directly or indirectly by the failure of computer software or any device containing a computer processor to accurately or properly recognize, calculate, display, sort or otherwise process dates or times.


- E.16. Hold Harmless. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of acts, omissions, or negligence on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State.

In the event of any such suit or claim, the Contractor shall give the State immediate notice thereof and shall provide all assistance required by the State in the State's defense. The State shall give the Contractor written notice of any such claim or suit, and the Contractor shall have full right and obligation to conduct the Contractor's own defense thereof. Nothing contained herein shall be deemed to accord to the Contractor, through its attorney(s), the right to represent the State of Tennessee in any legal matter, such rights being governed by **Tennessee Code Annotated**, Section 8-6-106.

- E.17. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in **Tennessee Code Annotated**, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System, provides that if a retired member returns to State employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to the Tennessee Consolidated Retirement System the amount of retirement benefits the Contractor received from the Retirement System during the period of this Contract.
- E.18. Contractor Limitation of Liability. The Contractor's liability on damages for negligence shall be limited to two times the maximum liability of this Contract, as stated in Section C.1. The limitation of liability as set forth in this section does not apply to liability of the Contractor for intentional torts, criminal acts, or fraudulent conduct. The State will not indemnify the Contractor for damages caused by the Contractor's own actions or negligence, or those of third parties.

IN WITNESS WHEREOF:

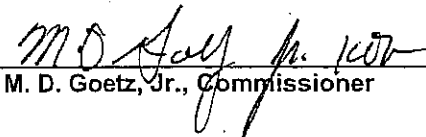
The MEDSTAT Group, Inc.:


Glenn R. Cole, Chief Financial Officer

12-1-04

Date

DEPARTMENT OF FINANCE AND ADMINISTRATION, BUREAU OF TENNCARE:


M. D. Goetz, Jr., Commissioner

12/3/04

Date

APPROVED:

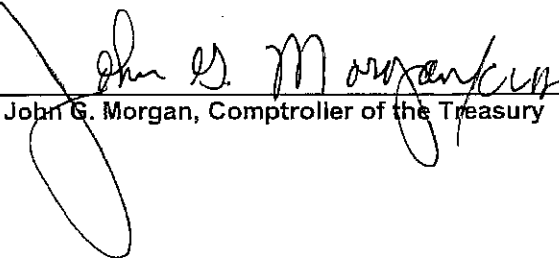
DEPARTMENT OF FINANCE AND ADMINISTRATION:


M. D. Goetz, Jr., Commissioner

12/14/04

Date

COMPTROLLER OF THE TREASURY:


John G. Morgan, Comptroller of the Treasury

12-16-04

Date

Sections 2, 3, and 4 of the Request for Vendor Presentations follow:

2. Description of Services and Written Proposal

The following list describes the services that the State expects the Contractor to perform:

TCDS Database Design, Implementation, and Update Services

1. Design, development, and operation of a single customized, fully integrated TCDS database, running at a Contractor facility, using Contractor hardware/software, in an Application Service Provider (ASP) mode.
2. Analysis, purification, and conversion of existing TennCare Data into the TCDS database. At a minimum, the TCDS will be sourced by six years of data from the TCMIS to be implemented in August 2004.
3. Data quality assurance program to identify and assist in correcting current and future problems with data.
4. Contractor must design the TCDS to be scalable so that more data and additional sources can be populated into the TCDS in the future.
5. Contractor shall operate and maintain the TCDS in accordance with all Federal, State, and Bureau of TennCare requirements. The TCDS Operations function is mainly comprised of file/data maintenance, system functionality processing, and system and operational support. The Contractor will provide the system maintenance function of the TCDS. System maintenance will result from one of the following conditions: 1) the need to make operational improvements or increase the operational efficiency to existing components of the TCDS or 2) the correction of a deficiency in the TCDS, whether identified by the Bureau of TennCare or by the Contractor. Additionally, the maintenance staff should provide any requested changes to the TCDS.

Application Software and User Access

1. On-line, web-based access to the Contractors TCDS application software. This web-based access shall be provided for a maximum of 120 simultaneous on-line State users. These users will have access to basic, pre-programmed reports provided by the Contractor, but no query or analysis capabilities.
2. Contractor computer-to-personal computer interface software. Routinely, State personnel will need to directly access the Contractor's TCDS software to support the State's own analysis efforts, apart from the analyses performed by the Contractor. Therefore, the State requires 60 copies of the interface software to support this function. The users of this

software shall have query and analysis capabilities, with the ability to generate user-developed reports.

3. Executive management reporting and analysis tools accessed on the desktop of State and TennCare executive management and other users. The reporting and analysis tools should include, at a minimum, prepackaged reports, query, online analytical processing (OLAP), and scenario planning tools.
4. In the event of Contract termination, for any reason, be it termination for cause or convenience, or the natural expiration of the contract term, the Contractor shall at that time offer the State a perpetual, non-exclusive, irrevocable, paid-in-full, license to continue to use the Contractor Proprietary Products (see Contract Section E.6.b) that were provided and used in connection with this Contract. Pricing for a paid-in-full perpetual license at the point of termination will be calculated based upon the stage at which termination occurs. Alternatively, and at the State's option, the State may choose to license the Proprietary Products from the vendor, on an annual renewal basis, by paying licensing fees to the Contractor that are equal to, or less than, the annual licensing fees commercially available to the Contractor's other customers at the time of the annual renewal. The Contractor understands that the State must pay for all services, including annual licensing fees, only after services have been provided; therefore, the Contractor will invoice the State for annual renewals at the end of any given annual renewal period. At the vendor's request, the State will allow the annual renewal fee to be invoiced in quarterly installments, to be paid at the end of each quarter. In any case, the assumption is that the State shall operate the software and databases within its own technical environment, and the Contractor shall work with the State to facilitate the transfer of said software and databases. This provision shall survive the termination of the Contract.
5. In the event of Contract termination, for any reason, be it termination for cause or convenience, or the natural expiration of the contract term, subject to the third-party licensor's approval, the Contractor shall, prior to the termination, at a time specified by the State, transfer to the State all applicable Medstat licensing and usage rights to any third-party software provided and used in connection with this Contract. This is with the understanding that the State will, from the date of the transfer, assume all ongoing obligations for paying any licensing fees associated with the continued use of the third-party software. Medstat will work with the third-party licensors to facilitate such transfer.

Contractor's Computing and Information Processing Environment

1. Computer disk storage and processing, housed at the Contractor's site and on Contractor's hardware and software, to perform updates, service the database, and provide web-based, on-line access to end-users. The

Contractor will provide this service as an Application Service Provider (ASP).

2. All industry standard backup and recovery procedures, to insure that there will be minimal downtime, or inability to access TCDS data.

Data Analysis and Reporting

1. State-defined and prepackaged financial, utilization, quality of care, and recipient access measurements.
2. Advanced data models that integrate multiple sources of information then group the information based on State-defined service classifications and into clinically similar, severity stratified episodes of care.
3. Age-sex, case-mix, clinically based severity adjustment methods, and co-morbidity adjusted analysis to help explain the variability of outcomes comparisons for a range of conditions and treatment programs.
4. An alert system that notifies users within a specified time frame of critical utilization trends captured in the data; achievement or lack of achievement of established health, quality, clinical, utilization, or financial goals; or detection of excessive costs.
5. Comparisons to a TennCare baseline and other State Medicaid programs of industry standard quality of care indicators, such as the indicator used by NCQA, Utilization indicators, Recipient Access indicators, and Financial indicators. The State desires the ability to perform these comparisons by MCC, like-providers, and geographically.
6. Practitioner and Hospital profiles based on prepackaged and State-defined indicators that can be produced by MCC or in total for all services provided to TennCare members.
7. Techniques to project claims expense, including incurred but not reported (IBNR) claims, in order to examine trends and to explain the primary drivers of past and future trends in healthcare cost and utilization.
8. Tools and analytic approaches to model program benefit designs that can be used to track or project the savings or costs of TennCare program benefit changes.
9. Provide timely, consistent special reporting to support court mandates.
10. Identify patterns of behavior across clients and providers to better understand utilization issues within the managed care environment and design effective cost containment initiatives.
11. Apply normative data to measure cost, utilization, and quality of care findings against relevant norms and monitoring of managed care contractors.
12. Provide pseudo-pricing capabilities so that the State can compare the pricing policies and rates of the different MCCs to each other and an

industry norm and provide the ability to model reimbursement based on combinations of complex reimbursement methods (i.e. per case, per diem, % of charges, stop loss, fee schedules, and global fees).

13. Provide the capability to create executive level trend analysis as related to costs and budgets for all elements in the database that will trend or compare information over various time frames simultaneously and display graphically.
14. Other utilization, financial, quality of care, and recipient access reports that are defined by the State.
15. GIS capability (**optional requirement**).

Consulting and Support

1. Contractor will maintain a stable and skilled cadre of onsite analytical staff in order to meet the needs of the TCDS users. The Contractor's analytical staff will be assigned to the TCDS project and be available to the State on a full-time basis. The State will require three Analytical staff FTEs, at a minimum. The staff must be well qualified and must be approved by the State in advance.
2. Basic data management and analytical support.
3. Help desk support, which shall entail Contractor assistance in the State's use of the Contractor's TCDS application, analytical tools, and databases for the State's own decision support analysis efforts. This support shall be available via telephone during standard State business hours of 8:00 AM to 4:30 PM CT.
4. Training of two (2) State personnel in the use of the Contractor's TCDS application, analytical tools, and databases for decision support analysis.

3. Timeline Objectives and Critical Dates

3.1 Planning and Requirements Affirmation

- Contractor will work with State personnel to establish an overall Project Approach and a detailed Project Plan. This plan shall contain a Workplan, which shall be maintained by the Contractor, detailing the objectives, tasks, and critical dates for the TCDS project.
- The Contractor will affirm the State's decision support requirements, make further recommendations with regard to decision support as it relates to TennCare, and will produce a written Requirements Affirmation document summarizing the requirements. The State will rely heavily on the Contractor's expertise with Medicaid-related decision support. The State will provide a general overview of the types of decision support information that will be required; however, the State expects the Contractor to make significant recommendations of additional information and reporting that will be beneficial to the effective management of TennCare program.

- Contractor will gain an initial familiarity with existing TennCare data and will formulate a strategy for meeting the State's decision support needs.

3.2 Design and Development of the TCDS

- Contractor will design and develop a custom TCDS database, and will implement this database in its own hardware/software environment, in accordance with an Application Service Provider (ASP) model.
- Contractor will analyze, purify, and convert existing TennCare data into the Contractor-maintained database. Contractor will integrate all TennCare data into one standardized database.
- Contractor will execute the initial conversion in such a way as to provide six (6) years of historical data within the TCDS.
- Contractor will develop the mechanisms for ongoing data interchange between existing TennCare data sources and the Contractor maintained TCDS.
- Contractor will develop a plan for ongoing data quality assurance to aid the State in correcting current and future problems with TennCare data.
- Contractor will provide on-line, web-based access to the Contractor's application software, such that end-users can access the TCDS data.
- Contractor will develop role-driven security to prevent unauthorized individuals from viewing TCDS data.
- Contractor will design a suite of TCDS reports. These reports shall comprise both State-defined and Contractor-recommended reports. As requested by the State, the Contractor will establish a user-friendly, web-based means of requesting, viewing, and printing TCDS reports.

3.3 Implementation and Ongoing Support

- Contractor will implement the TCDS in accordance with the Contract Scope of Services.
- Contractor will provide consulting services and ongoing support of the TCDS in accordance with the Contract Scope of Services.

4. Performance Requirements

• Data Access

The TCDS shall be available for on-line access twenty-four (24) hours per day, Monday through Friday. The TCDS must also be available Saturday and Sunday, except for scheduled maintenance and refresh times.

The Contractor shall notify the Bureau of TennCare when the TCDS is unavailable due to system problems or network failures. In addition,

the Contractor shall notify the Bureau of TennCare staff when it has been determined that queries have not processed,

- **Data Refresh**

The TCDS shall have a weekly refresh of the TennCare data. It shall also have a monthly and quarterly refresh of the summary and aggregated data.

The Contractor shall extract, transform, and load data files from the new TCMIS, when implemented, to ensure the timeliness and accuracy of the detailed data on a regular schedule. High-speed data transmission media, provided and paid for by the Contractor, will be used for the Current and Replacement TCMIS data extract and load. The Contractor shall load data into the TCDS, perform summarization and aggregation activities, and update the predefined queries and reports.

All data used in refresh cycles, including table files, shall be cleansed and verified before it is loaded into the TCDS. The data cleansing shall be performed using criteria developed in planning and analysis phases. The Contractor shall validate data by producing a series of control reports from the TCDS and comparing them to similar control reports from the data source.

Data refresh procedures shall be reversible to accommodate any reprocessing required as a result of erroneous data being received from the data sources or errors by the Contractor. The Contractor shall also be responsible for those errors in loading that should be detected by the data validity and editing required before loading the TCDS.

- **Data Retention**

The Contractor must provide and maintain a comprehensive data retention plan for all system components and data in compliance with State and Federal requirements. The plan must comply with the State requirements.

- **Data Purging and Archiving**

The proposed TCDS must be able to purge and archive data to permanent storage media according to requirements described below:

- a. Data entered into, maintained, or generated by the proposed system must be retained and accessible according to Federal Requirements 42 CFR 431.17.
- b. Maintain data on-line for at least six (6) years based on last date of update activity from the source system. In other words, if a given

record has not been updated for six (6) years, it may be archived. All archived data must be available within twenty-four (24) hours of a request for access to the data.

- c. Update detailed history data weekly for up to six (6) years to reflect adjustments. The proposed system must update summary history data weekly for up to six (6) years to reflect adjustments.
- d. After the initial conversion of six (6) years of data, the Contractor will continue to maintain up to ten (10) years of data: the original six (6) years converted and an additional four (4) years added post implementation. The Contractor must provide access to the data whose age is between seven (7) and ten (10) years within 24 hours of a request for access to the data.

- **Systems Documentation**

The Contractor is responsible for providing complete, accurate, and timely documentation of the operational TCDS and any components thereof, to the Bureau of TennCare. Detailed systems design documentation shall be provided which shall include: (1) diagrams (VISIO, etc.) that represent the system flow; and (2) data models (data marts, metadata). Two (2) paper copies and an electronic version (e.g., CD-ROM or other media as approved by the Bureau of TennCare) must be provided in accordance with the specification approved by the Bureau of TennCare.

- a. The Contractor shall provide the systems documentation in final form for every component of the TCDS within thirty (30) calendar days of the date the Bureau of TennCare approves the start of operations for that component.
- b. The Contractor shall provide the systems documentation in its final form for all operational components within fifteen (15) calendar days of a request by the Bureau of TennCare, provided that those components have been operational for more than thirty (30) calendar days.
- c. The Contractor shall provide updates to the systems documentation in final form for any maintenance/modification changes to the TCDS within ten (10) business days of the Bureau of TennCare approval of migration of the evolution changes to production operations.
- d. The Contractor shall provide a complete set of system documentation in final form every six (6) months. This requirement shall be in effect thirty (30) business days after all components of TCDS have been approved by the Bureau of TennCare for operations for thirty (30) calendar days or more.

- **Deliverables**

Copies of each deliverable, as approved in the Contractor's work plan, must be delivered to the Bureau of TennCare in final form, in the number specified, and on the date specified in the Bureau of TennCare approved plans. The Bureau of TennCare requires up to ten (10) paper copies and an electronic copy of all deliverables. The electronic copy must be on 3.5" diskettes in the Bureau of TennCare approved format or on CD-ROM in the Bureau of TennCare approved format.

- a. Deliverables shall be delivered in final form and in accordance with the Bureau of TennCare approved schedules.
- b. Deliverables shall meet the content requirements specified by the Bureau of TennCare and must be approved by the Bureau of TennCare. If the Bureau of TennCare determines that a deliverable cannot be approved, the Contractor shall have a cure period beginning with notice from the Bureau of TennCare that the deliverable is not approved. The cure period will be specified in the notice of deliverable rejection.

- **Personnel**

- a. The Contractor warrants and represents that all persons assigned to this contract shall be employees of the Contractor and shall be fully qualified to perform the work required herein. The Contractor shall include a similar provision in any contract with any subcontractor selected to perform work hereunder.
- b. The Bureau of TennCare shall have the absolute right to approve or disapprove the Contractor's and any subcontractor's key personnel assigned to this contract, approve or disapprove any proposed changes in key staff or to require the removal or reassignment of any key Contractor employee or subcontractor personnel found unacceptable by the Bureau of TennCare.
- c. The Contractor shall notify the Bureau of TennCare in writing of any changes in key personnel at least 30 days prior to the change. The Contractor shall upon request, provide the Bureau of TennCare with a resume of any members of its staff of a subcontractor's staff assigned to or proposed to be assigned to any aspect of the performance of this contract.

- **Performance Requirements for Operational Responsibilities**

This standard provides the Bureau of TennCare with an administrative procedure to address general contract compliance issues that are not specifically defined as performance requirements in the Contract but are performance standards defined by the Bureau of TennCare.

The Bureau of TennCare may identify contract compliance issues resulting from the Contractor's performance of its responsibilities through routine contract monitoring activities. If this occurs, the Bureau of TennCare or designee shall notify the Contractor in writing of the nature of the performance issue. The Bureau of TennCare shall also designate a period of time in which the Contractor must provide a written response to the notification. Based on the response, the Bureau of TennCare will define a reasonable period of time in which the Contractor shall remedy the noncompliance.

- **Maintenance**

- a. TCDS Maintenance shall be performed as follows:

1. Perform activities necessary to correct a deficiency within the operational TCDS, including deficiencies found after implementation of modifications. Correction of deficiencies is a part of the Contractor's system warranty requirements. A TCDS deficiency may be defined as a condition in which the TCDS is not performing (or not performing correctly) a function that is a part of the TCDS as defined in the Contract, the attachments to Contract, and further defined during interview sessions.
2. Provide file maintenance activities for updates to all files.
3. Perform changes to data extraction, transformation, or load processes or configuration.
4. Perform changes to application software resulting from changes in hardware, software, or other technology improvements designed to improve efficiency of the TCDS. These changes will be identified and prioritized into the normal maintenance workload.
5. Coordinate any TCDS maintenance activities with the TCMIS Contractor that might impact the interface.

- b. The Contractor shall complete all TDCS Change Requests (TDCSCRs) and TDCS Work Requests (TDCSWRs) prior to or no later than the Bureau of TennCare and Contractor agreed upon completion date as reflected upon the most recent Bureau of TennCare and Contractor prioritization. This will be monitored by

review of the Bureau of TennCare prioritization list by key Contractor and Bureau of TennCare staff on a weekly basis.

- c. Completion of a TDCSCR includes submitting the TDCSCR and all required supporting documentation to the Bureau of TennCare for implementation approval. Supporting documentation includes, but is not limited to test data, test results, and file maintenance audit trails.

- **System Modification**

The Contractor shall respond in writing to all Bureau of TennCare requests for Statement of Understanding (SOUs) by the Bureau of TennCare and Contractor agreed upon response date assigned. The response shall contain the Contractor's understanding of the requirements, the proposed solution and the proposed approach to implement the solution. After the Bureau of TennCare's acceptance or modification of the SOU, the Bureau of TennCare will assign a completion date and the modification implemented.

- **Standard Operational and Production Reports and Deliverables**

Standard operational and production reports shall contain accurate information and be produced and delivered to the Bureau of TennCare in a format and media agreed upon between the Bureau of TennCare and the Contractor.

Weekly Reports	By 8 a.m. on the next working day after the weekly cycle
Monthly Operational and Production Reports	By 8 a.m. on the next working day after the end of the month
Quarterly Operational and Production Reports	By 8 a.m. on the next working day after the end of the quarter.
Annual Operational and Production Reports	10 th day of the following month
On Request Reports	1 working day from the date of request
Ad Hoc Reports and Special Reports	3 working days from the date of request or date agreed to by the Bureau of TennCare

- **Transfer of Data**

It is expected that data will be extracted from source systems, with minimal impact on the operation and workload of those systems. Daily, weekly, monthly, and quarterly extract frequencies are envisioned as the most common frequencies for most data depending on the type of data to

be stored in the TCDS. Extracted data will be ported to a staging area within an environment for pre-publication examination, scrubbing, and conversion processing. Extensive conversion processing will be needed to satisfy the "usability" and standardization requirements that are both implied and specified in the goal of enabling the non-technical users. Conversion processing will be the focal point for application of business rules, capture and cataloging of technical metadata, and detection of change in data sources.

- **System Response Time**

The Contractor will ensure that the system responds to queries into the TCDS files within reasonable time limits by authorized users. The Contractor must propose system response time scenarios for the TCDS configuration that will apply for 95% of all transactions in each of the following categories. These scenarios should include the following types of queries running against aggregated, indexed, and summarized index tables:

- a. For summarized queries or reports producing text or tabular output
- b. For summarized queries or reports producing graphical data representation
- c. For summarized queries or reports producing map-based graphics
- d. Full table scans of one, two, or three year's claim data at the atomic level

HIPAA BUSINESS ASSOCIATE AGREEMENT

THIS BUSINESS ASSOCIATE AGREEMENT (hereinafter "Agreement") is between State of Tennessee, Department of Finance and Administration, Bureau of TennCare (hereinafter "Covered Entity") and The MEDSTAT Group, Inc. (hereinafter "Business Associate"). Covered Entity and Business Associate may be referred to herein individually as "Party" or collectively as "Parties."

BACKGROUND

Covered Entity acknowledges that it is subject to the Privacy Rule (45 CFR Parts 160 and 164) promulgated by the United States Department of Health and Human Services pursuant to the Health Insurance Portability and Accountability Act of 1996 (HIPAA), Public Law 104-191.

Business Associate provides services or goods to Covered Entity pursuant to one or more contractual relationships detailed below and hereinafter referred to as "Service Contracts".

TennCare Decision Support Services (TCDS) Contract

In the course of executing Service Contracts, Business Associate may come into contact with, use, or disclose Protected Health Information (defined in Section 1.7 below). Said Service Contracts are hereby incorporated by reference and shall be taken and considered as a part of this document the same as if fully set out herein.

In accordance with the federal privacy regulations set forth at 45 C.F.R. Part 160 and Part 164, Subparts A and E, which require Covered Entity to have a written contract with each of its Business Associates, the Parties wish to establish satisfactory assurances that Business Associate will appropriately safeguard "Protected Health Information" and, therefore, make this Agreement.

1. DEFINITIONS

- 1.1. Terms used, but not otherwise defined, in this Agreement shall have the same meaning as those terms in 45 CFR §§ 160.103 and 164.501.
- 1.2. "Designated Record Set" shall have the meaning set out in its definition at 45 C.F.R. § 164.501.
- 1.3. "Health Care Operations" shall have the meaning set out in its definition at 45 C.F.R. § 164.501.
- 1.4. "Individual" shall have the same meaning as the term "individual" in 45 CFR § 164.501 and shall include a person who qualifies as a personal representative in accordance with 45 CFR § 164.502(g).
- 1.5. "Privacy Officer" shall have the meaning as set out in its definition at 45 C.F.R. § 164.530(a)(1).
- 1.6. "Privacy Rule" shall mean the Standards for Privacy for Individually Identifiable Health Information at 45 CFR Part 160 and Part 164, subparts A and E.
- 1.7. "Protected Health Information" shall have the same meaning as the term "protected health information" in 45 CFR § 164.501, limited to the information created or received by Business Associate from or on behalf of Covered Entity.

- 1.8. "Required By Law" shall have the same meaning as the term "required by law" in 45 CFR § 164.501.

2. OBLIGATIONS AND ACTIVITIES OF BUSINESS ASSOCIATE

- 2.1. Business Associate agrees to fully comply with the requirements under the Privacy Rule applicable to "business associates," as that term is defined in the Privacy Rule and not use or further disclose Protected Health Information other than as permitted or required by this Agreement, Service Contracts, or as Required By Law. In case of any conflict between this Agreement and Service Contracts, this Agreement shall govern.
- 2.2. Business Associate agrees to use appropriate procedural, physical, and electronic safeguards to prevent use or disclosure of Protected Health Information other than as provided for by this Agreement. Said safeguards shall include, but are not limited to, requiring employees to agree to use or disclose Protected Health Information only as permitted or required by this Agreement and taking related disciplinary actions for inappropriate use or disclosure as necessary.
- 2.3. Business Associate shall require any agent, including a subcontractor, to whom it provides Protected Health Information received from, created or received by, Business Associate on behalf of Covered Entity or that carries out any duties for the Business Associate involving the use, custody, disclosure, creation of, or access to Protected Health Information, to agree, by written contract with Business Associate, to the same restrictions and conditions that apply through this Agreement to Business Associate with respect to such information.
- 2.4. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Agreement.
- 2.5. Business Associate agrees to require its employees, agents, and subcontractors to immediately report, to Business Associate, any use or disclosure of Protected Health Information in violation of this Agreement and to report to Covered Entity any use or disclosure of the Protected Health Information not provided for by this Agreement.
- 2.6. If Business Associate receives Protected Health Information from Covered Entity in a Designated Record Set, then Business Associate agrees to provide access, at the request of Covered Entity, to Protected Health Information in a Designated Record Set, to Covered Entity or, as directed by covered Entity, to an Individual in order to meet the requirements under 45 CFR § 164.524, provided that Business Associate shall have at least Twenty (20) days from Covered Entity notice to provide access to, or deliver such information.
- 2.7. If Business Associate receives Protected Health Information from Covered Entity in a Designated Record Set, then Business Associate agrees to make any amendments to Protected Health Information in a Designated Record Set that the Covered Entity directs or agrees to pursuant to the 45 CFR § 164.526 at the request of Covered Entity or an Individual, and in the time and manner designated by Covered Entity, provided that Business Associate shall have at least Ten (10) days from Covered Entity notice to make an amendment.
- 2.8. Business Associate agrees to make its internal practices, books, and records including policies and procedures and Protected Health Information, relating to the use and disclosure of Protected Health Information received from, created by or received by Business Associate on behalf of, Covered Entity available to the Secretary of the United States Department of Health in Human Services or the Secretary's designee, in a time and manner designated by the Secretary, for purposes of determining Covered Entity's or Business Associate's compliance with the Privacy Rule.

- 2.9. Business Associate agrees to document disclosures of Protected Health Information and information related to such disclosures as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosure of Protected Health Information in accordance with 45 CFR § 164.528.
- 2.10. Business Associate agrees to provide Covered Entity or an Individual, in time and manner designated by Covered Entity, information collected in accordance with this Agreement, to permit Covered Entity to respond to a request by an Individual for and accounting of disclosures of Protected Health Information in accordance with 45 CFR § 164.528, provided that Business Associate shall have at least Twenty (20) days from Covered Entity notice to provide access to, or deliver such information which shall include, at minimum, (a) date of the disclosure; (b) name of the third party to whom the Protected Health Information was disclosed and, if known, the address of the third party; (c) brief description of the disclosed information; and (d) brief explanation of the purpose and basis for such disclosure.
- 2.11. Business Associate agrees it must limit any use, disclosure, or request for use or disclosure of Protected Health Information to the minimum amount necessary to accomplish the intended purpose of the use, disclosure, or request in accordance with the requirements of the Privacy Rule.
- 2.11.1. Business Associate represents to Covered Entity that all its uses and disclosures of, or requests for, Protected Health Information shall be the minimum necessary in accordance with the Privacy Rule requirements.
- 2.11.2. Covered Entity may, pursuant to the Privacy Rule, reasonably rely on any requested disclosure as the minimum necessary for the stated purpose when the information is requested by Business Associate.
- 2.11.3. Business Associate acknowledges that if Business Associate is also a covered entity, as defined by the Privacy Rule, Business Associate is required, independent of Business Associate's obligations under this Agreement, to comply with the Privacy Rule's minimum necessary requirements when making any request for Protected Health Information from Covered Entity.
- 2.11.4. Business Associate agrees to adequately and properly maintain all Protected Health Information received from, or created or received on behalf of, Covered Entity and to document subsequent uses and disclosures of such information by Business Associate as may be deemed necessary and appropriate by the Covered Entity.
- 2.12. If Business Associate receives a request from an Individual for a copy of the individual's Protected Health Information, and the Protected Health Information is in the sole possession of the Business Associate, Business Associate will provide the requested copies to the individual and notify the Covered Entity of such action. If Business Associate receives a request for Protected Health Information in the possession of the Covered Entity, or receives a request to exercise other individual rights as set forth in the Privacy Rule, Business Associate shall notify Covered Entity of such request and forward the request to Covered Entity. Business Associate shall then assist Covered Entity in responding to the request.
- 2.13. Business Associate agrees to fully cooperate in good faith with and to assist Covered Entity in complying with the requirements of the Privacy Rule.

3. PERMITTED USES AND DISCLOSURES BY BUSINESS ASSOCIATE

- 3.1. Except as otherwise limited in this Agreement, Business Associate may use or disclose Protected Health Information to perform functions, activities, or services for, or on behalf of, Covered Entity as specified in Service Contracts, provided that such use or disclosure would not violate the Privacy Rule if done by Covered Entity.

- 3.2. Except as otherwise limited in this Agreement, Business Associate may use Protected Health Information as required for Business Associate's proper management and administration or to carry out the legal responsibilities of the Business Associate.
- 3.3. Except as otherwise limited in this Agreement, Business Associate may disclose Protected Health Information for the proper management and administration of the Business Associate, provided that disclosures are Required By Law, or provided that, if Business Associate discloses any Protected Health Information to a third party for such a purpose, Business Associate shall enter into a written agreement with such third party requiring the third party to: (a) maintain the confidentiality of Protected Health Information and not to use or further disclose such information except as Required By Law or for the purpose for which it was disclosed, and (b) notify Business Associate of any instances in which it becomes aware in which the confidentiality of the Protected Health Information is breached.
- 3.4. Except as otherwise limited in this Agreement, Business Associate may use Protected Health Information to provide Data Aggregation services to Covered Entity as permitted by 42 CFR § 164.504(e)(2)(I)(B).
- 3.5. In compliance with 45 CFR Section 164.502(d)(1), the State may disclose PHI to Contractor to create information that is not Individually Identifiable Health Information, whether or not the de-identified information is to be used by Covered Entity. Information that has been de-identified in accordance with the requirements of 45 C.F.R. §§ 164.514 and 164.502(d)(2) is not subject to the provisions of this Attachment.

4. OBLIGATIONS OF COVERED ENTITY

- 4.1. Covered Entity shall provide Business Associate with the notice of privacy practices that Covered Entity produces in accordance with 45 CFR § 164.520, as well as any changes to such notice.
- 4.2. Covered Entity shall provide Business Associate with any changes in, or revocation of, permission by an Individual to use or disclose Protected Health Information, if such changes affect Business Associate's permitted or required uses.
- 4.3. Covered Entity shall notify Business Associate of any restriction to the use or disclosure of Protected Health Information that Covered Entity has agreed to in accordance with 45 CFR § 164.522, to the extent that such restriction may affect Business Associate's use of Protected Health Information. Covered entity agrees that it will not grant a restriction under 45 C.F.R. Section 164.522 that would affect Business Associate's ability to use information relating to the requesting individual without first obtaining the consent of Business Associate.

5. PERMISSIBLE REQUESTS BY COVERED ENTITY

- 5.1. Covered Entity shall not request Business Associate to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy Rule if done by Covered Entity.

6. TERM AND TERMINATION

- 6.1. Term. This Agreement shall be effective as of the date on which it is signed by both parties and shall terminate when all of the Protected Health Information provided by Covered Entity to Business Associate, or created or received by Business Associate on behalf of Covered Entity, is destroyed or returned to Covered Entity, or, if it is infeasible to return or destroy Protected Health Information, Section 6.3. below shall apply.
- 6.2. Termination for Cause.

- 6.2.1. This Agreement authorizes and Business Associate acknowledges and agrees Covered Entity shall have the right to immediately terminate this Agreement and Service Contracts in the event Business Associate fails to comply with, or violates a material provision of, requirements of the Privacy Rule or this Agreement.
- 6.2.2. Upon Covered Entity's knowledge of a material breach by Business Associate,
 - 6.2.2.1. Covered Entity shall, whenever practicable, provide a reasonable opportunity for Business Associate to cure the breach or end the violation.
 - 6.2.2.2. If Business Associate has breached a material term of this Agreement and cure is not possible or if Business Associate does not cure a curable breach or end the violation within a reasonable time as specified by, and at the sole discretion of, Covered Entity, Covered Entity may immediately terminate this Agreement and Service Contracts.
 - 6.2.2.3. If neither cure nor termination are feasible, Covered Entity shall report the violation to the Secretary of the United States Department of Health in Human Services or the Secretary's designee.

6.3. Effect of Termination.

- 6.3.1. Except as provided in Section 6.3.2. below, upon termination of this Agreement, for any reason, Business Associate shall return or destroy all Protected Health Information received from Covered Entity, or created or received by Business Associate on behalf of, Covered Entity. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the Protected Health Information.
- 6.3.2. In the event that Business Associate determines that returning or destroying the Protected Health Information is not feasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction unfeasible. Upon mutual agreement of the Parties that return or destruction of Protected Health Information is unfeasible, Business Associate shall extend the protections of this Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction unfeasible, for so long as Business Associate maintains such Protected Health Information.

7. **MISCELLANEOUS**

- 7.1. Regulatory Reference. A reference in this Agreement to a section in the Privacy Rule means the section as in effect or as amended.
- 7.2. Amendment. The Parties agree to take such action as is necessary to amend this Agreement from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy Rule and the Health Insurance Portability and Accountability Act, Public Law 104-191. Business Associate and Covered Entity shall comply with any amendment to the Privacy Rule, the Health Insurance Portability and Accountability Act, Public Law 104-191, and related regulations upon the effective date of such amendment, regardless of whether this Agreement has been formally amended.
- 7.3. Survival. The respective rights and obligations of Business Associate under Section 6.3. of this Agreement shall survive the termination of this Agreement.
- 7.4. Interpretation. Any ambiguity in this Agreement shall be resolved in favor of a meaning that permits Covered Entity and the Business Associate to comply with the Privacy Rule.

- 7.5. Notices and Communications. All instructions, notices, consents, demands, or other communications required or contemplated by this Agreement shall be in writing and shall be delivered by hand, by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below, or to such other party, facsimile number, or address as may be hereafter specified by written notice.

c

COVERED ENTITY:

Bureau of TennCare
J.D. Hickey, Deputy Commissioner
729 Church Street
5th Floor
Nashville, TN 37247
Telephone: 615-741-0213
Fax: 615-741-0882

BUSINESS ASSOCIATE:

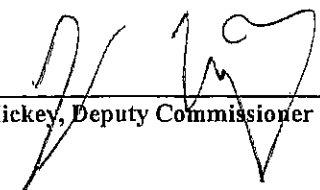
Glenn Cole, Chief Financial Officer
The MEDSTAT Group, Inc.
777 East Eisenhower Parkway
Ann Arbor, MI 48108
Telephone: 734-913-3298
Facsimile: 734-913-3333

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the date of hand delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the facsimile machine at the receiving location and receipt is verbally confirmed by the sender.

- 7.6. Strict Compliance. No failure by any Party to insist upon strict compliance with any term or provision of this Agreement, to exercise any option, to enforce any right, or to seek any remedy upon any default of any other Party shall affect, or constitute a waiver of, any Party's right to insist upon such strict compliance, exercise that option, enforce that right, or seek that remedy with respect to that default or any prior, contemporaneous, or subsequent default. No custom or practice of the Parties at variance with any provision of this Agreement shall affect, or constitute a waiver of, any Party's right to demand strict compliance with all provisions of this Agreement.
- 7.7. Severability. With respect to any provision of this Agreement finally determined by a court of competent jurisdiction to be unenforceable, such court shall have jurisdiction to reform such provision so that it is enforceable to the maximum extent permitted by applicable law, and the Parties shall abide by such court's determination. In the event that any provision of this Agreement cannot be reformed, such provision shall be deemed to be severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect.
- 7.8. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.
- 7.9. Compensation. There shall be no remuneration for performance under this HIPAA Business Associate Agreement except as specifically provided by, in, and through, contractual relationships referenced herein.

IN WITNESS WHEREOF,

DEPARTMENT OF FINANCE AND ADMINISTRATION, BUREAU OF TENNCARE:




J. D. Hickey, Deputy Commissioner

12-3-04

Date

THE MEDSTAT GROUP, INC.:



Glenn R. Cole, Chief Financial Officer

12-1-04

Date

Data Contribution and Use Agreement

This Data Contribution and Use Agreement (this "DCU Agreement") is dated effective December 1, 2004 by and between the State of Tennessee, Department of Finance and Administration, Bureau of TennCare ("State") and The MEDSTAT Group, Inc., a Delaware corporation ("MEDSTAT"). This DCU Agreement is executed in connection with the Contract between State and MEDSTAT ("Base Agreement") and references the Product(s) licensed in Base Agreement (collectively, "System");

A. Agreement to Contribute State Data, License Grant and Rights to Use State Data and Agreement by MEDSTAT to Protect State Data Confidentiality

1. For good and valuable consideration, State hereby agrees to deliver and contribute to MEDSTAT all data and other information described in Attachment A ("State Data") in accordance with the specifications and requirements in Attachment A.
2. State hereby grants to MEDSTAT a perpetual, irrevocable, nonexclusive, royalty-free, worldwide license to use, disclose, distribute, license, copy, display and demonstrate all State Data for MEDSTAT's business purposes, including, without limitation, for inclusion in MEDSTAT's MarketScan® databases and products, provided that MEDSTAT abides by the following:
3. MEDSTAT shall keep confidential, and shall compile and present information using State Data so as not to disclose, (i) the identity of any employee, enrollee, subscriber, beneficiary, patient or other individual for whom State Data is submitted to MEDSTAT; this includes "de-identification" to Federal HIPAA standards; (ii) the identity of an employer, trade group/union, healthcare purchasing coalition/group or other healthcare purchaser ("Healthcare Purchaser"), or an insurance company, health maintenance organization, health plan, third party administrator, or other healthcare payer ("Healthcare Payer") (collectively "Data Sources"); (iii) confidential negotiated payment arrangements between a specific Healthcare Payer and a specific provider or provider group; or (iv) confidential negotiated pricing arrangements between a specific Healthcare Payer and a specific Healthcare Purchaser.
4. State represents, warrants and covenants that the State Data shall be provided to MEDSTAT hereunder free and clear of confidentiality and other claims, restrictions and encumbrances inconsistent with the rights granted herein.

B. License Grant and Rights to Use MarketScan Data and Agreement by State to Protect MarketScan Data Confidentiality

1. As consideration for the contribution of all of the State Data to MEDSTAT and the rights of use of such State Data granted to MEDSTAT herein, MEDSTAT grants to State a nonexclusive, nontransferable, limited license to, and waiver of the license fee for, MarketScan normative data libraries (the "MarketScan Products") during the period in which State is actually contributing State Data to MEDSTAT and has paid the annual license fee(s) and other fees due or payable under the Base Agreement.
2. State's use of the MarketScan Products shall be limited to State's use in analyzing, researching and reporting healthcare and/or worker productivity for the number of employees and/or covered lives licensed under the Base Agreement. The MarketScan Products may only be used by State in or with the System, both internally and in reports to State's Healthcare Purchaser and Healthcare Payer clients with respect to whose covered

lives/members/beneficiaries/employees/ dependents/patients State Data is being licensed by State to MEDSTAT for use pursuant to this Agreement. State may also include MarketScan Products or data from MarketScan Products in reports and as support data in the publication of research and analyses, provided that the source of the data is attributed to MEDSTAT by including the following copyright notice in such reports and publications:

Copyright © #### [use then-current year] The MEDSTAT Group, Inc. All Rights Reserved.

3. State shall not attempt to establish data linkages between the data in the MarketScan Products and any other public or private data for the purposes of identifying employees, enrollees, subscribers, beneficiaries, patients or other individuals. If State inadvertently discovers the identity of any person or entity, then (i) State will not make any use of this knowledge, (ii) State will safeguard or destroy the information that would identify any person or entity, and (iii) State will not inform anyone else of the discovered identity.

C. Description of State Data to be Contributed by State

All data elements contained in or loaded into the System's database(s), including:

1. Medical/surgical and other healthcare claims and encounter data
2. Detailed person-level enrollment data
3. Outpatient prescription drug data (pharmacy and/or mail order)

D. Population for which State Data is to be Contributed by State

All State's covered lives/members/beneficiaries/employees/dependents/patients whose data is included in the System's database(s)

E. Frequency of State Data Contribution <TBD>

- ☐ Annually
☐ Semi-Annually
☐ Quarterly

F. File Format/Media Format <TBD>

- ☐ Tape (type of tape/media): _____
☐ ASCII or other (type of file format): _____

Third Party License Provisions and Agreements

American Medical Association

Pursuant to MEDSTAT's CPT License Agreement for Domestic Distribution with The American Medical Association ("AMA"), as it may now or hereafter be amended, MEDSTAT is authorized to distribute and sublicense to Customer Physicians' Current Procedural Terminology, Fourth Edition, a coding system of nomenclature and five-digit codes for reporting of physician services, and/or ICD-9 (collectively, "CPT"), as part of the System, provided that Customer is bound by certain terms and conditions. Customer's rights to use the CPT terminate if Customer fails to comply with any of the material terms and conditions thereof.

The terms and conditions set forth in this Agreement that apply to the System generally also apply to the CPT and inure to the benefit of AMA.

The following is a summary of the additional terms and conditions that apply to the CPT:

1. The provision of an updated version of CPT in the System is dependent upon continuing contractual relations with the AMA.
2. The Agreement is nontransferable, nonexclusive, and for the sole purpose of internal use by Customer, and only within the United States.
3. The CPT license is granted in consideration for a license fee and other consideration.
4. Customer is prohibited from using CPT or information contained therein in any public electronic bulletin board, or public computer-based information system (including the Internet and World Wide Web unless otherwise expressly provided in the Agreement and subject to the terms thereof).
5. Customer is prohibited from publishing, translating, or transferring possession of the System or a copy or portion of it.
6. Customer is prohibited from creating derivative works based on CPT and selling, leasing or licensing it or otherwise making the System or any portion thereof available to any unauthorized party.
7. Customer may only make copies of the System for back up or archival purposes.
8. CPT is copyrighted by the AMA and all notices of proprietary rights, including trademark and copyright in CPT must appear on all permitted back-up or archival copies made by the user; any printout or other output from the Electronic Media that contains any portion of CPT (other than that which would constitute fair use, internal reports and claim forms for specific patients and external reports distributed outside of your entity containing less than twenty (20) CPT codes and/or descriptions) will display the following:

CPT only © 1998 American Medical Association. All Rights Reserved.

The year specified in the copyright notices must conform to future CPT updates.

9. Customer shall require that anyone who has authorized access to the System (including consultants and contractors who perform services for Customer) complies with the provisions of this Agreement.
10. Except as otherwise expressly provided in the Agreement, the System is provided "as is" without any warranty from or liability to MEDSTAT or the AMA, including, without limitation, liability for consequential or special damages or lost profits for sequence, accuracy or completeness of data, or that it will meet Customer's requirements; MEDSTAT's and AMA's sole responsibility is to use reasonable efforts to provide corrections to or a replacement of the System; AMA disclaims any liability for any consequences due to use, misuse or interpretation of information contained or not contained in CPT.
11. The CPT license terminates in the event of default by Customer under the Agreement, subject to any applicable cure period.
12. In the event that a provision is determined to violate any law or is unenforceable the remainder of the Agreement shall remain in full force and effect.
13. This product includes CPT which is commercial technical data and/or computer data bases and/or commercial computer software and/or commercial computer software documentation, as applicable which were developed exclusively at private expense by the American Medical Association, 515 North State Street, Chicago, Illinois 60610. U.S. Government rights to use, modify, reproduce, release, perform, display, or disclose these technical data and/or computer data bases and/or computer software and/or computer software documentation are subject to the limited rights restrictions of DFARS 252.227-7015 (b) (2) (June 1995) and/or subject to the restrictions of DFARS 227.7202-1(a) (June 1995) and DFARS 227.7202-3(a) (June 1995), as applicable for U.S. Department of Defense procurements and the limited rights restrictions of FAR 52.227-14 (June 1987) and/or subject to the restricted rights provisions of FAR 52.227-14 (June 1987) and FAR 52.227-19 (June 1987), as applicable, and any applicable agency FAR Supplements, for non-Department of Defense Federal procurements.
14. In the event this is a shrink-wrap license that will not be signed by the end-user, the following notice should appear in boldface type in a conspicuous location so it can be seen prior to opening each Electronic Media package distributed:

Carefully read the following terms and conditions before opening the Electronic Media package. Opening this package acknowledges your acceptance of these terms and conditions. If you do not agree with these provisions, you should, within a reasonable time, return the Electronic Media package unused and your money will be refunded.

15. In the event this is an on-line Agreement to access CPT information, all end users must indicate their acceptance of these terms by clicking on the appropriate mechanism provided for acknowledging acceptance of these terms.

16. The responsibility for any content of any "*National Correct Coding Policy*" included in this product is with the Centers for Medicare and Medicaid Services, formerly known as the Health Care Financing Administration, and no endorsement by the AMA is intended or should be implied. The AMA disclaims responsibility for any consequences or liability attributable to or related to any use, nonuse or interpretation of information contained in this product.

Clarifications and Addenda Made to the Contractor's Written Presentation

The Clarifications and Addenda follow this cover page.

The contents of Addendum 1 also include the Contractor's FADI proposal dated November 29, 2004 for fraud and abuse detection and investigation services.

NOTE: All dates referenced in the Contractor's original written presentation assumed a contract start date of October 1, 2004, and the revised proposal documents assumed a contract start date of November 16, 2004. Accordingly, all dates captured in the Contractor's original Written Presentation will be extended by the number of elapsed days between October 1 and the actual start date of the contract, which in this Contract is now expected to be December 1, 2004.